THORATEC CORP
Form 424B3
June 09, 2005

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Prospectus under Rule 424(b)(3) of the Securities Act of 1933, relating to Registration No. 333-118274.

$247,427,000 Principal Amount at Maturity of
Senior Subordinated Convertible Notes due 2034
and
Shares of Common Stock
Issuable upon Conversion of the Notes

We originally issued these notes in private placement transactions in May 2004. This prospectus will be used by selling securityholders to resell their notes and the common stock issuable upon conversion of the notes.

We issued the notes at an issue price of $580.98 per note (58.098% of the principal amount at maturity). Interest on the notes accruing at the rate of 1.3798% per year on the principal amount at maturity (equivalent to a rate of 2.375% per year of the issue price), is payable semiannually in arrears in cash on May 16 and November 16 of each year, beginning November 16, 2004, until May 16, 2011. After that date, we will not pay cash interest on the notes prior to maturity. Instead, on May 16, 2034, the maturity date of the notes, a holder will receive $1,000 per note. The original issue discount for non-tax purposes will accrue daily at a rate of 2.375% per year beginning on May 16, 2011 on a semiannual bond equivalent basis using a 360-day year comprised of twelve 30-day months. We purchased a portfolio of U.S. government securities that we pledged to secure the first six scheduled interest payments on the notes. Other than this pledge of U.S. government securities, the notes are unsecured, senior subordinated obligations and rank equally with our future senior subordinated indebtedness, if any, will rank junior to our existing and future senior indebtedness, and will effectively rank junior to the existing or future indebtedness of our subsidiaries.

Holders may convert each $1,000 principal amount of their notes into 29.4652 shares of our common stock, subject to adjustment, only if: (1) the sale price of our common stock reaches, or the trading price of the notes falls below, specified thresholds, (2) the notes are called for redemption, or (3) specified corporate transactions or significant distributions to holders of our common stock have occurred. Upon a conversion, we may elect to deliver cash or a combination of cash and common stock in lieu of any common stock deliverable upon conversion.

Holders may require us to purchase for cash all or a portion of their notes on May 16, 2011 at a price of $580.98 per note, on May 16, 2014 at a price of $623.62 per note, on May 16, 2019 at a price of $701.77 per note, on May 16, 2024 at a price of $789.70 per note, and on May 16, 2029 at a price of $888.65 per note, in each case plus accrued but unpaid interest, if any. In addition, if we experience a fundamental change as described in this prospectus, each holder may require us to repurchase all or a portion of its notes, subject to specified exceptions, at a price equal to the sum of the issue price, accrued original issue discount and accrued but unpaid cash interest and liquidated damages, if any, plus in certain circumstances, a make-whole premium. Upon a fundamental change, we may pay the repurchase price in cash or, in certain circumstances, we may choose to pay the repurchase price in shares of our common stock or a combination of cash and shares of our common stock.

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We may redeem for cash all or a portion of the notes at any time on or after May 16, 2011, at a price equal to the sum of the original issue price, the accrued original issue discount and accrued but unpaid cash interest, if any, to the redemption date.

Since their original issuance, the notes and the shares of common stock issuable upon conversion of the notes have been eligible for trading in the Private Offerings, Resales and Trading through Automated Linkages (PORTAL) system of the National Association of Securities Dealers, Inc. However, notes sold by means of this prospectus and the shares of common stock issuable upon conversion thereof will no longer be eligible for trading on the PORTAL Market. We do not intend to list the notes on any other automated quotation system or any securities exchange. Our common stock currently trades on the NASDAQ National Market under the symbol THOR. On June 2, 2005, the last reported sale price of our common stock on the NASDAQ National Market was $14.61 per share.

The selling securityholders will receive all of the net proceeds from sales of the securities and will pay all underwriting discounts and selling commissions, if any. We are responsible for the payment of other expenses incident to the registration of the securities. We will not receive any proceeds from this offering.

Investing in the notes and the common stock issuable upon conversion of the notes involves risks that are described in the Risk Factors section beginning on page 6 of this prospectus.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.

The date of this prospectus is June 8, 2005.

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You should rely only on the information contained or incorporated by reference in this prospectus. We have not authorized any other person to provide you with different information. If anyone provides you with

different or inconsistent information, you should not rely on it. You should assume that the information appearing in this prospectus and the documents incorporated in this prospectus by reference are accurate only as of their respective dates. Our business, financial condition, results of operations and prospects may have changed since those dates.

References in this prospectus to Thoratec, we, us and our refer to Thoratec Corporation, a company incorporated the State of California, and its direct and indirect subsidiaries, unless the context otherwise requires or otherwise specified in this prospectus.

Thoratec, the Thoratec logo, Thoralon, TLC-II, HeartMate, HeartPak and Vectra are registered trademarks, and Aria is a trademark, of Thoratec Corporation. HEMOCHRON, ProTime, Surgicutt, Tenderlett, tenderfoot and IRMA are registered trademarks of International Technidyne Corporation, or ITC, our wholly-owned subsidiary. Each trademark, trade name or service mark of any other company appearing in this prospectus belongs to its holder.

MARKET AND INDUSTRY DATA

Market data used throughout this prospectus and the documents incorporated by reference herein, including information relating to our relative position in the medical device industry, is based on the good faith estimates of our management, which estimates are based upon their review of internal surveys, independent industry publications and other publicly available information. Although we believe these sources are reliable, we do not guarantee the accuracy or completeness of this information and we have not independently verified this information. Although we are not aware of any misstatements regarding the market and industry data presented in this prospectus, our estimates involve risks and uncertainties and are subject to change based on various factors, including those discussed under the heading Risk Factors.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus and the documents incorporated by reference herein include forward-looking statements. For these statements, we claim the protection of the safe harbor for forward looking statements provided by Section 27A of the Securities Act of 1933, as amended, and 21E of the Securities Exchange Act of 1934, as amended. We

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have based these forward-looking statements on our current expectations and projections about future events. Our actual results could differ materially from those discussed in, or implied by, these forward-looking statements. Forward-looking statements are identified by words such as believe, anticipate, expect, intend, plan, may , h other similar expressions. In addition, any statements that refer to expectations, projections or other characterizations of future events or circumstances are forward-looking statements. Forward-looking statements include, but are not necessarily limited to, those relating to:

- our ability to obtain and maintain regulatory approval of our products for sale in the United States and internationally;
- the results and timing of our clinical trials;
- reimbursement policies and decisions by government agencies and third party payors;
- other competing therapies that may currently, or in the future, be available to heart failure patients;
- our plans to develop and market new products and the rate of market penetration of our new products; and
- our ability to improve our financial performance.

Factors that could cause actual results or conditions to differ from those anticipated by these and other forward-looking statements include those more fully described in the Risk Factors section of this prospectus and in the Competition, Patents and Proprietary Technology, Government Regulation, Factors That May Affect Future Results, Results of Operations, Qualitative and Quantitative Disclosures About Market Risk, and Liquidity and Capital Resources sections contained in our Annual Report on Form 10-K for the fiscal year ended January 1, 2005 and our Quarterly Report on Form 10-Q for the quarter ended April 2, 2005 and our other SEC filings, which identify important risks and uncertainties that could cause actual results to differ materially from those contained in the forward-looking statements and in other documents we file with the SEC. We are not obligated to update or revise these forward-looking statements to reflect new events or circumstances.

We urge you to consider these factors carefully in evaluating the forward-looking statements contained in this prospectus. All subsequent written or oral forward-looking statements attributable to our company or persons acting on our behalf are expressly qualified in their entirety by these cautionary statements. The forward-looking statements included in this prospectus are made only as of the date of this prospectus. We do not intend, and undertake no obligation, to update these forward-looking statements.

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SUMMARY

Overview

We are a leading manufacturer of circulatory support products for use by patients with congestive heart failure, or CHF. Our Ventricular Assist Devices, or VADs, are used primarily by CHF patients to perform some or all of the pumping function of the heart and we currently offer the widest range of products to serve this market. We believe that our long-standing reputation for quality and innovation and our excellent relationships with leading cardiovascular surgeons worldwide position us to capture growth opportunities in the expanding congestive heart failure market. Through our wholly-owned subsidiary, ITC, we design, develop, manufacture and market point-of-care diagnostic test systems and incision products that provide for fast, accurate blood test results to improve patient management, reduce healthcare costs and improve patient outcomes.

Our business is comprised of two segments; Cardiovascular and ITC.

The major product lines within the Cardiovascular segment are:

Circulatory Support Products. Our circulatory support products include VADs for the short-term and long-term treatment of congestive heart failure.

Vascular Graft Products. We have developed small diameter grafts using our proprietary materials to address the vascular access market. Our grafts are sold in the United States and internationally for use in hemodialysis.

The major product lines of our ITC segment are:

Point-of-Care Diagnostics. Our point-of-care products include coagulation diagnostic test systems that monitor a patient while being administered certain anticoagulants, blood gas/electrolyte and chemistry status, or anemia.

Incision. Our incision products include devices used to obtain a patient s blood sample for diagnostic testing and screening for platelet function.

We currently market VADs that may be implanted or worn outside the body and that are suitable for treatments for different durations for patients of varying sizes and ages. We estimate that doctors have implanted over 9,500 of our devices in patients suffering from heart failure. Our devices are currently used primarily for patients awaiting a heart transplant or Destination Therapy implants. On November 6, 2002, the United States Food and Drug Administration, or FDA, approved the HeartMate VAD as the first heart assist device for Destination Therapy, or permanent support for patients suffering from end-stage heart failure who are not eligible for heart transplantation. On April 7, 2003, the FDA approved the HeartMate XVE, an enhanced version of the HeartMate VAD, for Destination Therapy. Thoratec is the only company to have a ventricular assist device approved for Destination Therapy in the United States. In August 2004, we received FDA approval in the U.S. to market the Thoratec Implantable Ventricular Assist Device, or IVAD, for use in bridge-to-transplantation and post-cardiotomy recovery patients who are unable to be weaned from cardiopulmonary bypass. This makes the IVAD the only currently approved implantable cardiac assist device that can provide left, right or biventricular support.

Corporate Information

We were incorporated in California in March 1976. On February 14, 2001, we changed our name from Thoratec Laboratories Corporation to Thoratec Corporation. Our executive offices are located at 6035 Stoneridge Drive, Pleasanton, California 94588, and our telephone number is (925) 847-8600. Our website address is

http://www.thoratec.com. The information found on our website and on websites linked from it are not incorporated into or otherwise made a part of this prospectus.

The Offering

The following is a brief summary of certain terms of this offering. For a more complete description of the

terms of the notes, see Description of Notes in this prospectus.

Issuer	Thoratec Corporation, a California corporation.
Notes offered	$247,427,000 aggregate principal amount at maturity of senior subordinated convertible notes due 2034. Each note will have a principal amount at maturity of $1,000 and was issued at a price of $580.98 per note (58.098% of the principal amount at maturity).
Maturity	May 16, 2034.
Cash interest	1.3798% per year on the principal amount at maturity (equivalent to a rate of 2.375% per year on the issue price), payable semiannually in arrears in cash on May 16 and November 16 of each year, beginning November 16, 2004 until May 16, 2011.
Original issue discount	We issued the notes at an issue price significantly below the principal amount at maturity of the notes. As a result, the original issue discount, for non-tax purposes, will accrue daily at a rate of 2.375% per year beginning on May 16, 2011, calculated on a semiannual bond equivalent basis using a 360-day year comprised of twelve 30-day months.
Security	We purchased and pledged to the trustee under the indenture for the exclusive benefit of the holders of the notes approximately $9.8 million of U.S. government securities, which we expect will be sufficient, upon receipt of scheduled principal and interest payments thereon, to provide for payment in full of the first six scheduled interest payments, but not liquidated damages, if any, on the notes when due. The notes will not otherwise be secured.
Conversion rights	If the conditions for conversion are satisfied, for each $1,000 principal amount at maturity of notes surrendered for conversion you will receive 29.4652 shares of our common stock, which we refer to in this prospectus as the conversion rate. In lieu of delivering shares of our common stock upon notice of conversion of all or any portion of the notes, we may elect to pay holders surrendering notes an amount in cash per note (or a portion of a note) equal to the average sale price of our common stock for the five consecutive trading days immediately following (a) the date of our notice of our election to deliver cash if we have not given notice of redemption or (b) the conversion date, in the case of conversion following our notice of redemption specifying that we intend to deliver cash upon conversion, in either case multiplied by the conversion rate in effect on that date. If an event of default (other than a default in a cash payment upon conversion of the notes) has occurred and is continuing, we may not pay cash upon conversion of

any notes or portion of the notes (other than cash for fractional shares). A holder of a note otherwise entitled to a fractional share will receive cash equal to the applicable portion of the closing price of our common stock on the trading day immediately preceding the conversion date.

The conversion rate may be adjusted for certain reasons, but will not be adjusted for accrued original issue discount or accrued but unpaid cash interest. Upon conversion, a holder will not receive any cash payment representing accrued but unpaid cash interest. Instead, accrued but unpaid cash interest will be deemed paid upon payment of the conversion price in

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cash or a combination of cash and common stock.

At any time after September 30, 2004, holders may surrender notes for conversion, if, as of the last day of the preceding calendar quarter, the closing sale price of our common stock for at least 20 trading days in a period of 30 consecutive trading days ending on the last trading day of such preceding calendar quarter is more than 120% of the accreted conversion price per share of common stock on the last day of such preceding calendar quarter for any one quarter. If the foregoing condition is satisfied, then the notes will thereafter be convertible at any time at the option of the holder, through maturity. The accreted conversion price per share as of any day will equal the sum of the issue price of the note plus the accrued original issue discount to that day, divided by the then applicable conversion rate.

Holders may surrender notes for conversion at any time on or prior to May 16, 2029 during the five business day period after any five consecutive trading day period in which the trading price per note for each day of that period was less than 98% of the product of the closing sale price of our common stock and the conversion rate on each such day; provided that if on the day prior to any conversion pursuant to this trading price condition the closing sale price of our common stock is greater than the accreted conversion price but less than or equal to 120% of the accreted conversion price, then holders will receive upon conversion, in lieu of shares of common stock based on the conversion rate, cash or common stock or a combination of cash and common stock at our option with a value equal to the accreted principal amount of the notes plus accrued and unpaid cash interest and liquidated damages, if any, as of the conversion date.

Notes or portions of notes in integral multiples of $1,000 principal amount at maturity called for redemption may be surrendered for conversion until the close of business on the second business day prior to the redemption date. In addition, if we make a significant distribution to our shareholders or if we are a party to certain consolidations, mergers or share exchanges, notes may be surrendered for conversion, as provided in Description of Notes Conversion Rights.

Redemption of notes at our option

We may redeem, for cash, all or a portion of the notes at any time on or after May 16, 2011, at a price equal to the sum of the issue price and the accrued original issue discount, plus accrued and unpaid cash interest, if any, to the redemption date. See Description of Notes Redemption of Notes at Our Option.

Purchase of the notes by Thoratec at the option of the holder

Holders may require us to purchase all or a portion of their notes on each of the following dates at the following prices, plus accrued but unpaid cash interest, if any, to the purchase date:

On May 16, 2011 at a price of $580.98 per note;

On May 16, 2014 at a price of $623.62 per note;

On May 16, 2019 at a price of $701.77 per note;

On May 16, 2024 at a price of $789.70 per note; and

On May 16, 2029 at a price of $888.65 per note.

	We may only pay the purchase price in cash and not in common stock.
Fundamental Change	If we undergo a fundamental change (as described in this prospectus), except in certain circumstances, you will have the option to require us to repurchase all or any portion of your notes. The fundamental change repurchase price will be the sum of the issue price and accrued original issue discount plus accrued but unpaid cash interest and liquidated damages, if any, plus, in certain circumstances, a make-whole premium. Upon a fundamental change we may pay the repurchase price in cash or, in certain circumstances, we may choose to pay the repurchase price in shares of our common stock or a combination of cash and shares of our common stock.
Ranking	The notes:
	are our general senior subordinated unsecured obligations (except as set forth in Description of Notes Security);

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	does not become effective within the specified time periods. See Description of Notes Registration Rights.
Guarantees	None.
Sinking fund	None.
DTC eligibility	The notes were issued in fully registered book-entry form and are represented by one or more permanent global notes without coupons. Global notes were deposited with a custodian for and registered in the name of a nominee of The Depository Trust Company (DTC) in New York, New York. Beneficial interests in global notes will be shown on, and transfers thereof will be effected only through, records maintained by DTC and its direct and indirect participants, and your interest in any global note may not be exchanged for certificated notes, except in the limited circumstances described herein. See Description of Notes Global Notes; Book Entry; Form.
Trading	Since their initial issuance, the notes have been eligible for trading in the PORTAL Market of the National Association of Securities Dealers, Inc. However, notes sold by means of this prospectus will no longer be eligible for trading on the PORTAL Market. We do not intend to list the notes on any other automated quotation system or any securities exchange. Furthermore, we can provide no assurances as to the liquidity of, or trading market for, the notes.
NASDAQ symbol for our common stock	Our common stock is listed on the NASDAQ National Market under the symbol THOR.
Risk factors	See Risk Factors beginning on page 6 of this prospectus and other information included in, or incorporated by reference into, this prospectus for a discussion of factors you should consider carefully before deciding to invest in the notes.

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RISK FACTORS

Our business faces many risks. The risks described below are what we believe to be the material risks facing our company and holders of the notes. However, the risks described below may not be the only risks we face. Additional risks that we do not yet know of or that we currently believe are immaterial may also impair our business operations. If any of the events or circumstances described in the following risk factors actually occurs, our business, financial condition or results of operations could suffer, and the trading price of our common stock or the notes offered hereby could decline significantly. You should consider the following risks, as well as the other information included in and incorporated by reference into this prospectus before deciding to invest in the notes.

Risks Related to Our Business

We have a history of net losses.

We were founded in 1976 and we have a history of incurring losses from operations. We anticipate that our expenses will increase as a result of increased pre-clinical and clinical testing, research and development and selling, general and administrative expenses. We could also incur significant additional costs in connection with our business development activities and the development and marketing of new products and indicated uses for our existing products as well as litigation and equity based compensation costs. Such costs could prevent us from achieving or maintaining profitability in future periods.

Since our physician and hospital customers depend on third party reimbursement, if third party payors fail to provide appropriate levels of reimbursement for our products, our results of operations will be harmed.

Significant uncertainty exists as to the reimbursement status of newly approved health care products such as VADs and vascular grafts, which uncertainty can delay or prevent adoption in volume by hospitals. Government and other third party payors are increasingly attempting to contain health care costs. Payors are attempting to contain costs by, for example, limiting coverage and the level of reimbursement of new therapeutic products. Payors are also attempting to contain costs by refusing, in some cases, to provide any coverage for uses of approved products for disease indications other than those for which the FDA has granted marketing approval.

To date, a majority of private insurers with whom we have been involved and the Centers for Medicare & Medicaid Services, or the CMS, have determined to reimburse some portion of the cost of our VADs and our diagnostic and vascular graft products, but we cannot estimate what portion of such costs will be reimbursed and our products may not continue to be approved for reimbursement. In addition, changes in the health care system may affect the reimbursability of future products. If coverage is not expanded or if the reimbursement levels are not increased or are partially or completely reduced, our revenues would be reduced.

If we fail to obtain approval from the FDA and from foreign regulatory authorities, we cannot market and sell our products under development in the United States and in other countries, and if we fail to adhere to ongoing FDA Quality System Regulations, the FDA may withdraw our market clearance or take other action.

Before we can market new products in the United States, we must obtain clearance from the FDA. This process is lengthy and uncertain. In the United States, one must obtain clearance from the FDA of a 510(k) pre-market notification or approval of a more extensive submission known as a pre-market approval, or PMA, application. If the FDA concludes that any of our products does not meet the requirements to obtain clearance under Section 510(k) of the Federal Food, Drug, and Cosmetic Act, then we would be required to file a PMA application. The process for a PMA application is lengthy, expensive and typically requires extensive pre-clinical and clinical trial data.

We may not obtain clearance of a 510(k) notification or approval of a PMA application with respect to any of our products on a timely basis, if at all. If we fail to obtain timely clearance or approval for our products, we will not be able to market and sell our products, thereby harming our ability to generate sales. The FDA may also limit the claims that we can make about our products. We may also be required to obtain clearance of a 510(k) notification or PMA Supplement from the FDA before we can market products that have been cleared, but we have since modified or that

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we subsequently wish to market for new disease indications.

The FDA also requires us to adhere to Quality System Regulations, which include production design controls, testing, quality control, storage and documentation procedures. The FDA may at any time inspect our facilities to determine whether we have adequate compliance. Compliance with Quality System Regulations for medical devices is difficult and costly. In addition, we may not be found to be compliant as a result of future changes in, or interpretations of, regulations by the FDA or other regulatory agencies. If we do not achieve compliance, the FDA may withdraw marketing clearance, require product recall or take other enforcement action, which in each case would harm our business. Any change or modification to a device is required to be made in compliance with Quality System Regulations, which compliance may cause interruptions or delays in the marketing and sale of our products. The FDA also requires device manufacturers to submit reports regarding deaths, serious injuries and certain malfunctions relating to use of their products.

Sales of our products outside the United States are subject to foreign regulatory requirements that vary from country to country. The time required to obtain approvals from foreign countries may be longer or shorter than that required for FDA approval, and requirements for foreign licensing may differ from FDA requirements.

The federal, state and foreign laws and regulations regarding the manufacture and sale of our products are subject to future changes, as are administrative interpretations and policies of regulatory agencies. If we fail to comply with applicable federal, state or foreign laws or regulations, we could be subject to enforcement actions. Enforcement actions could include product seizures, recalls, withdrawal of clearances or approvals, and civil and criminal penalties, which in each case would harm our business.

Certain lawsuits have been filed against us.

Commencing on or about August 3, 2004, several Federal securities law putative class action suits were filed in the United States District Court for the Northern District of California on behalf of purchasers of the publicly traded securities of the Company between April 28, 2004 and June 29, 2004. These suits were consolidated in a consolidated complaint filed on or about January 18, 2005. The complaint seeks to recover unspecified damages on behalf of all purchasers of our publicly traded securities during the class period.

On or about September 1, 2004, a shareholder derivative action entitled *Wong v. Grossman* was filed in the California Superior Court for Alameda County based upon essentially the same facts as the Federal securities suit. This action names the individual members of our Board of Directors, our Chief Executive Officer and our former Chief Financial Officer as defendants.

In June of 2004, MicroMed Technology, Inc., a potential competitor of ours, sued us in Texas. MicroMed sought injunctive relief against us in connection with our HeartMate II Phase I clinical trial on the grounds that we had provided the HeartMate II VAD to clinical sites without charge and that doing so was a violation of Texas anti-trust law. In addition to injunctive relief, the plaintiff is seeking unspecified damages and fees, including those arising from potential sales of its VAD products which plaintiff alleges it lost due to our HeartMate II clinical trial. We have successfully defended ourselves against MicroMed s requests for injunctive relief and will continue to vigorously defend any and all of the claims made by MicroMed in this action.

We believe that the claims asserted in the MicroMed action, and both the Federal securities law putative class action and the state shareholder derivative action are without merit. We have filed a motion to dismiss in the Federal securities law putative class action and the shareholder suit currently is stayed through to at least early July 2005.

We are unable to predict at this time the final outcome of these actions.

We carry sufficient insurance to cover what management believes to be any reasonable exposure on these actions; however, we cannot give assurance that our insurance will cover all costs or other exposures we may incur with respect to these actions.

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If hospitals do not conduct Destination Therapy procedures using our VAD, our product sales will be diminished.

The use of our VADs as long-term therapy in patients who are not candidates for heart transplantation (i.e., they are Destination Therapy patients) was approved by the FDA in 2002, and was approved for reimbursement by the CMS in late 2003.

The number of Destination Therapy procedures actually performed depends on many factors, most of which are out of our direct control, including:

- the number of CMS sites approved for Destination Therapy;
- the clinical outcomes of Destination Therapy procedures;
- cardiologists and referring physicians education, and their commitment to Destination Therapy;
- the economics of the Destination Therapy procedure for individual hospitals, which include the costs of the VAD and related pre- and post- operative procedures and their reimbursement;
- the impact of changes in reimbursement rates on the timing of purchases of VADs for Destination Therapy; and
- the economics for individual hospitals of not conducting a Destination Therapy procedure, including the costs and related reimbursements of long-term hospitalization.

The different outcomes of these and other factors, and their timing, will have a significant impact on our future operating results. Sales of our VADs for Destination Therapy have proved slower than we had originally anticipated, and we are unable to predict when, if ever, these sales will generate significant revenue for us.

The long and variable sales and deployment cycles for our VAD systems may cause our product sales and operating results to vary significantly, which increases the risk of an operating loss for any given fiscal period.

Our VAD systems have lengthy sales cycles and we may incur substantial sales and marketing expenses and expend significant effort without making a sale. Even after making the decision to purchase our VAD systems, our customers often deploy our products slowly. For example, the length of time between initial contact with cardiac surgeons and the purchase of our VAD systems is generally between nine and eighteen months. In addition, the cardiac centers that buy the majority of our products are usually led by cardiac surgeons who are heavily recruited by competing centers or by centers looking to increase their profiles. When one of these surgeons moves between centers we sometimes experience a temporary but significant reduction in purchases by the departed center while it replaces its lead surgeon. As a result, it is difficult for us to predict the quarter in which customers may purchase our VAD systems and our product sales and operating results may vary significantly from quarter to quarter, which increases the risk of an operating loss for us for any given quarter. In particular, sales of our VADs for Destination Therapy have been lower than we had originally anticipated, and we cannot predict when, if ever, sales of our VADs for this indication will generate the level of revenues we expect.

Physicians may not accept or continue to accept our current products and products under development.

The success of our current and future products will require acceptance or continued acceptance by cardiovascular and vascular surgeons, and other medical professionals. Such acceptance will depend on clinical results and the conclusion by these professionals that our products are safe, cost-effective and acceptable methods of treatment. Even if the safety and efficacy of our future products are established, physicians may elect not to use them

for a number of reasons. These reasons could include the high cost of our VAD systems, restrictions on coverage, unfavorable reimbursement from health care payors, or use of alternative therapies. Also, economic, psychological, ethical and other concerns may limit general acceptance of our ventricular assist, graft and other products.

Our future product sales will be affected by the number of heart transplants conducted.

A significant amount of our current product sales is generated by our VADs implanted temporarily in patients awaiting heart transplants. The number of heart transplants conducted worldwide depends on the number of hearts available to transplant, which number in turn depends on the death rate of otherwise healthy people from events such as automobile accidents.

We have experienced rapid growth and changes in our business, and our failure to manage this and any future growth could harm our business.

The number of our employees has substantially increased during the past several years. We expect to continue increasing the number of our employees, and our business may suffer if we do not manage and train our new employees effectively. Our product sales may not continue to grow at a rate sufficient to support the costs associated with an increasing number of employees. Any future periods of rapid growth may place significant strains on our managerial, financial and other resources. The rate of any future expansion, in combination with our complex technologies and products, may demand an unusually high level of managerial effectiveness in anticipating, planning, coordinating and meeting our operational needs as well as the needs of our customers.

If we fail to successfully introduce new products, our future growth may suffer.

As part of our growth strategy, we intend to develop and introduce a number of new products and product improvements. We also intend to develop new indications for our existing products. For example, we are currently developing updated versions of our HeartMate products. If we fail to commercialize these new products, product improvements and new indications on a timely basis, or if they are not well accepted by the market, our future growth may suffer.

Amortization of our intangible assets, which represent a significant portion of our total assets, will adversely affect our net income and we may never realize the full value of our intangible assets.

A substantial portion of our assets are comprised of goodwill and purchased intangible assets. We may not receive the recorded value for our intangible assets if we sell or liquidate our business or assets. The material concentration of intangible assets increases the risk of a large charge to earnings if the revenue from, and recoverability of, these intangible assets is impaired. We completed an assessment of the current values of our intangible assets at the year ended 2004 and determined that no impairment exists, however the lives have been modified on several components of these identified assets. In the event, however, of such a charge to net income, the market price of our common stock could be adversely affected. For example, in the first quarter of 2004, we completed an assessment of the final results from the feasibility clinical trial for the Aria CABG graft, which was ongoing through fiscal 2003. Based on the clinical trial results, we determined not to devote additional resources to development of the Aria graft. Upon the decision to discontinue product development, we recorded an impairment charge of approximately $9 million as of January 3, 2004 to write off purchased intangible assets related to the Aria graft, recorded as a result of our merger with TCA

We rely on specialized suppliers for certain components and materials in our products and alternative suppliers may not be available.

We depend on a number of custom-designed components and materials supplied by other companies including, in some cases, single source suppliers for components, instruments and materials used in our VAD products and blood testing products. For example, single sources currently manufacture and supply our ProTime and Hemoglobin instruments and the heart valves used in our HeartMate products. The suppliers of our ProTime and Hemoglobin

products are located in China and Germany, respectively. We do not have long-term written agreements with most of our vendors and from these vendors receive components on a purchase order basis

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only. If we need alternative sources for key raw materials or component parts for any reason, such alternative sources may not be available and our inventory may not be sufficient to fill orders before we find alternative suppliers or begin manufacturing these components or materials ourselves. Cessation or interruption of sales of circulatory support products or our point-of-care products would seriously harm our business, financial condition and results of operations.

Alternative suppliers, if available, may not agree to supply us. In addition, we may require FDA approval before using new suppliers or manufacturing our own components or materials. Existing suppliers could also become subject to an FDA enforcement action, which could also disrupt our supplies. If alternative suppliers are not available, we may not have the expertise or resources necessary to produce these materials or component parts internally.

Because of the long product development cycle in our business, suppliers may discontinue components upon which we rely before the end of life of our products. In addition, the timing of the discontinuation may not allow us time to develop and obtain FDA approval for a replacement component before we exhaust our inventory of the legacy component.

If suppliers discontinue components on which we rely, we may have to:

- pay premium prices to our suppliers to keep their production lines open or to obtain alternative suppliers;

- buy substantial inventory to last through the scheduled end of life of our product, or through such time that we will have a replacement product developed and approved by the FDA; or

- stop shipping the product in which the legacy component is used once our inventory of the discontinued component is exhausted.

Any of these interruptions in the supply of our materials could result in substantial reductions in product sales and increases in our production costs.

If we fail to compete successfully against our existing or potential competitors, our product sales or operating results may be harmed.

Competition from medical device companies and medical device subsidiaries of health care and pharmaceutical companies is intense and is expected to increase. Principal competitors for the VAD system include WorldHeart Corporation, MicroMed Technology, Inc., Abiomed, Inc., and Berlin Heart in Europe. Principal competitors in the vascular graft market include W.L. Gore, Inc., C.R. Bard Corporation, which is also a distributor of our *Vectra* product line, and Boston Scientific Corporation. Principal competitors in the hospital coagulation and blood gas monitoring equipment market include the Cardiac Surgery Division of Medtronic, Inc., iSTAT, Radiometer, Abbott Diagnostics, and Instrument Laboratories. Our primary competitor in the skin incision device market is Becton, Dickson and Company. Competitors in the alternate site (non-hospital) point-of-care diagnostics market include Roche Diagnostics and HemoSense.

Many of our competitors have substantially greater financial, technical, distribution, marketing and manufacturing resources than we have. Accordingly, our competitors may be able to develop, manufacture and market products more efficiently and at a lower cost than we can. We expect that the key competitive factors will include the relative speed with which we can:

- develop products;

- complete clinical testing;

receive regulatory approvals; and

manufacture and sell commercial quantities of products.

Large medical device companies dominate the markets in which ITC competes. We expect that any growth in this market will come from expanding our market share at the expense of other companies, and from testing being shifted away from central laboratories to the point-of-care. However, this market segment is very competitive, and includes the following potential drivers:

New drug therapies under development may not require the intense monitoring of a patient s coagulation that the current anti-coagulation drug of choice (Heparin) requires.

New competitors might enter the market with broader test menus.

Any of the devices of our competitors in clinical trials and in development could prove to be clinically superior, easier to implant, and/or less expensive than current commercialized devices, thereby impacting Thoratec s marketshare.

We may encounter problems manufacturing our products.

We may encounter difficulties manufacturing our products. We do not have experience in manufacturing some of our products in the commercial quantities that might be required if we receive FDA approval of several or all of the products and indications currently under development, including the HeartMate II VAD. If we have difficulty manufacturing any of our products, our business will be harmed.

Since we depend upon distributors, if we lose a distributor or a distributor fails to perform, our operations may be harmed.

With the exception of Canada and the larger countries in Europe, we sell our Thoratec VAD and HeartMate systems in foreign markets through distributors. In addition, we sell our vascular access graft products through the Bard Peripheral Vascular division of C.R. Bard Corporation (which is also a competitor of ours) in the United States, and selected countries in Europe, the Middle East and Northern Africa and through Goodman Co. Ltd. in Japan. Substantially all of the international operations and a large portion of the Alternate Site domestic operations of ITC are conducted through distributors. For the quarter ended April 2, 2005, 16% of ITC s total product sales were through Cardinal Healthcare, a distributor of our blood coagulation testing equipment and skin incision devices.

To the extent we rely on distributors, our success will depend upon the efforts of others, over which we may have little or no control. If we lose a distributor or a distributor fails to perform to our expectations, our product sales may be harmed.

Changes we make to our method of distributing and selling our products could hurt our relationship with distributors and their customers.

In March 2004, we began changing our manner of distributing our Hemochron product line to our hospital point-of-care customers in the United States from a distributor model to a direct sales model.

This transition to a direct sales model necessitated expanding the sales, technical service, customer service and shipping headcount at ITC in order to provide our customers with the support and service that they historically obtained from our distributors, resulting in an increase in our sales and general and administrative costs. This transition process concluded in the first quarter of 2005, which resulted in the United States hospital point-of-care market now being served directly and exclusively by ITC. This transition and its execution involve significant risks, including:

the promotion by our former distributors of products from competitors rather than our products;

the potential loss of customers who prefer to deal with a particular distributor; and

the challenges and costs associated with building an effective direct sales force.

If we fail to build an effective direct sales force for our hospital point-of-care product lines, our revenues may fail to increase as expected or could decrease, which could adversely affect our results of operations and financial condition.

Our inability to protect our proprietary technologies or an infringement of others patents could harm our competitive position.

We rely on patents, trade secrets, copyrights, know-how, trademarks, license agreements and contractual provisions to establish our intellectual property rights and protect our products. These legal means, however, afford only limited protection and may not adequately protect our rights. In addition, we cannot assure you that any of our pending patent applications will issue. The Patent and Trademark Office, or PTO, may deny or significantly narrow claims made under patent applications and the issued patents, if any, may not provide us with commercial protection. We could incur substantial costs in proceedings before the PTO or in any future litigation to enforce our patents in court. These proceedings could result in adverse decisions as to the validity and/or enforceability of our patents. In addition, the laws of some of the countries in which our products are or may be sold may not protect our products and intellectual property to the same extent as U.S. laws, if at all. We may be unable to protect our rights in trade secrets and unpatented proprietary technology in these countries.

Our commercially available VAD products, which account for a majority of our sales, generally are not protected by any patents. We rely principally on trade secret protection and, to a lesser extent, patents to protect our rights to our HeartMate product line. We rely principally on patents to protect our coagulation testing equipment, skin incision devices, Hemochron disposable cuvettes, IRMA analyzer, IRMA disposable cartridges, and Hgb Pro disposable test strips.

We seek to protect our trade secrets and unpatented proprietary technology, in part, with confidentiality agreements with our employees and consultants. Although it is our policy to require that all employees and consultants sign such agreements, we cannot assure you that every person who gains or has gained access to such information has done so. Moreover, these agreements may be breached and we may not have an adequate remedy.

Our products may be found to infringe prior or future patents owned by others. We may need to acquire licenses under patents belonging to others for technology potentially useful or necessary, and such licenses may not be available to us. We could incur substantial costs in defending suits brought against us on such patents or in bringing suits to protect our patents or patents licensed by us against infringement.

For example, in 2003, a patent infringement claim was filed against us by Bodycote Materials Testing Canada, Inc. and David C. MacGregor, M.D. related to materials used in the HeartMate LVAS. On February 3, 2004, we settled the claim and recorded a charge of $2.3 million in the fourth quarter of 2003 for the settlement and related legal costs.

Product liability claims could damage our reputation and hurt our financial results.

Our business exposes us to an inherent risk of potential product liability claims related to the manufacturing, marketing and sale of human medical devices. We maintain a limited amount of product liability insurance. Our insurance policies generally must be renewed on an annual basis. We may not be able to maintain or increase such insurance on acceptable terms or at reasonable costs, and such insurance may not provide us with adequate coverage against potential liabilities. A successful claim brought against us in excess, or outside, of our insurance coverage

could seriously harm our financial condition and results of operations. Claims against us, regardless of their merit or potential outcome, may also reduce our ability to obtain physician acceptance of our products or expand our business.

Identified quality problems can result in substantial costs and write-downs.

FDA regulations require us to track materials used in the manufacture of our products, so that any problems identified in a finished product can easily be traced back to other finished products containing the defective materials. In some instances, identified quality issues require scrapping or expensive rework of the affected lot(s), not just the tested defective product, and could also require us to stop shipments.

In addition, since some of our products are used in situations where a malfunction can be life threatening, identified quality issues can result in the recall and replacement, generally free of charge, of substantial amounts of product already implanted or otherwise in the marketplace.

Any quality issue identified can therefore result in substantial costs and write-offs, which could materially harm our financial results.

If we make acquisitions or divestitures, we could encounter difficulties that harm our business.

We may acquire companies, products or technologies that we believe to be complementary to our business. If we do so, we may have difficulty integrating the acquired personnel, operations, products or technologies and we may not realize the expected benefits of any such acquisition. In addition, acquisitions may dilute our earnings per share, disrupt our ongoing business, distract our management and employees and increase our expenses, which could harm our business. We may also sell businesses or assets as part of our strategy or if we receive offers from third parties. If we do so, we may sell an asset or business for less than its full value.

Our non-U.S. sales present special risks.

A substantial portion of our total sales occurs outside the United States. We anticipate that sales outside the United States and U.S. export sales will continue to account for a significant percentage of our product sales and we intend to continue to expand our presence in international markets. Non-U.S. sales are subject to a number of special risks. For example:

- we generally sell many of our products at a lower price outside the United States;
- sales agreements may be difficult to enforce;
- receivables may be difficult to collect through a foreign country s legal system;
- foreign customers may have longer payment cycles;
- foreign countries may impose additional withholding taxes or otherwise tax our foreign income, impose tariffs or adopt other restrictions on foreign trade;
- U.S. export licenses may be difficult to obtain;
- intellectual property rights may be more difficult to enforce in foreign countries;
- terrorist activity or war may interrupt distribution channels or adversely impact our customers or employees; and
- fluctuations in exchange rates may affect product demand and adversely affect the profitability, in U.S. dollars, of products sold in foreign markets where payments are made in local currencies.

Any of these events could harm our operations or operating results.

Any claims relating to improper handling, storage or disposal of hazardous chemicals and biomaterials could be time consuming and costly.

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Producing our products requires the use of hazardous materials, including chemicals and biomaterials. We cannot eliminate the risk of accidental contamination or discharge and any resultant injury from these materials.

We could be subject to both criminal liability and civil damages in the event of an improper or unauthorized release of, or exposure of individuals to, hazardous materials. In addition, claimants may sue us for injury or contamination that results from our use or the use by third parties of these materials, and our liability may exceed our total assets. Compliance with environmental laws and regulations is expensive, and current or future environmental regulations may impair our research, development or production efforts or harm our operating results.

The occurrence of a catastrophic disaster or other similar events could cause damage to our facilities and equipment, which would require us to cease or curtail operations.

We are vulnerable to damage from various types of disasters, including earthquake, fire, terrorist acts, flood, power loss, communications failures and similar events. For example, in October 1989, a major earthquake that caused significant property damage and a number of fatalities struck near the area in which our Pleasanton, California facility is located. If any such disaster were to occur, we may not be able to operate our business at our facilities, in particular because our premises require FDA approval, which could result in significant delays before we can manufacture product from a replacement facility. The insurance we maintain may not be adequate to cover our losses resulting from disasters or other business interruptions. Therefore, any such catastrophe could seriously harm our business and results of operations.

If we are unable to favorably assess the effectiveness of our internal control over financial reporting, or if our independent auditors are unable to provide an unqualified attestation report on our assessment, our stock price could be adversely affected.

Under the Sarbanes-Oxley Act of 2002, or the Act, beginning in 2004 we are required to assess the effectiveness of our internal controls for financial reporting annually and assert that such internal controls are effective. Our independent auditors must evaluate management s assessment of the effectiveness of our internal controls over financial reporting and render an opinion on management s assessment and the effectiveness of our internal controls over financial reporting. The Act has resulted in and is likely to continue to result in increased expenses, and has required and is likely to continue to require significant efforts by management and other employees. Although we believe that our efforts will enable us to remain compliant under the Act, we can give no assurance that in the future such efforts will be successful. Our business is complex and involves significant judgments and estimates as described in our Critical Accounting Estimates. If we have material weaknesses in internal controls, we will not be able to assert that our internal controls over financial reporting are effective, which could adversely effect investor confidence in us and the market price of our common stock.

Fluctuations in foreign currency exchange rates could result in declines in our reported sales and earnings.

Because some of our international sales are denominated in local currencies and not in U.S. dollars, our reported sales and earnings are subject to fluctuations in foreign exchange rates. At present, we use forward foreign currency contracts to hedge the gains and losses created by the remeasurement of non-functional currency denominated assets and liabilities. However, we do not engage in hedge exposures that will arise from future sales. As a result, sales occurring in the future that are denominated in foreign currencies may be translated into U.S. dollars at a less favorable rate than our current exchange rate environment resulting in reduced revenues and earnings.

The competition for qualified personnel is particularly intense in our industry. If we are unable to retain or hire key personnel, we may not be able to sustain or grow our business.

Our ability to operate successfully and manage our potential future growth depends significantly upon retaining key research, technical, sales, marketing, managerial and financial personnel, and attracting and retaining additional highly qualified personnel in these areas. We face intense competition for such personnel, and we may not be able to attract and retain these individuals. We compete for talent with numerous companies, as well as

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universities and nonprofit research organizations, throughout all our locations. The loss of key personnel for any reason or our inability to hire and retain additional qualified personnel in the future could prevent us from sustaining or growing our business. Our success will depend in large part on the continued services of our research, managerial and manufacturing personnel. We cannot assure you that we will continue to be able to attract and retain sufficient qualified personnel.

Risks Related to the Notes and Our Common Stock

Our debt obligations expose us to risks that could adversely affect our business, operating results and financial condition, and prevent us from fulfilling our obligations under the notes.

We have a substantial level of debt. As of April 2, 2005, we had $143.8 million of outstanding indebtedness. The level of our indebtedness, among other things, could:

- make it difficult for us to make payments on our debt as described below;
- make it difficult for us to obtain any necessary financing in the future for working capital, capital expenditures, debt service, acquisitions or general corporate purposes;
- limit our flexibility in planning for or reacting to changes in our business;
- reduce funds available for use in our operations;
- impair our ability to incur additional debt because of financial and other restrictive covenants proposed for any such additional debt;
- make us more vulnerable in the event of a downturn in our business or an increase in interest rates; or
- place us at a possible competitive disadvantage relative to less leveraged competitors and competitors that have better access to capital resources.

If we experience a decline in product sales due to any of the factors described in this Risk Factors section or otherwise, we could have difficulty paying interest or principal amounts due on our indebtedness. If we are unable to generate sufficient cash flow or otherwise obtain funds necessary to make required payments, or if we fail to comply with the various requirements of our indebtedness, including the notes, we would be in default, which would permit the holders of our indebtedness to accelerate the maturity of the indebtedness and could cause defaults under our other indebtedness. Any default under our indebtedness could have a material adverse effect on our business, operating results and financial condition.

The notes are unsecured and rank pari passu with our other senior subordinated debt; the notes are subordinated to our senior debt and structurally subordinated to all liabilities of our subsidiaries.

The notes are unsecured (except to the limited extent described under Description of Notes Security) and subordinated in right of payment in full to all of our senior indebtedness (including secured indebtedness). As a result, in the event of any liquidation, dissolution, bankruptcy or upon acceleration of the notes due to an event of default under the indenture governing the notes and in certain other events, our assets will be available to pay obligations on the notes only after all such senior indebtedness has been paid in full. As of April 2, 2005, excluding trade payables, we had $143.8 million of indebtedness outstanding.

None of our subsidiaries has guaranteed our obligations under, or has any obligation to pay any amounts due on, the notes. As a result, the notes are effectively subordinated to all liabilities of our subsidiaries. Our rights and the rights of our creditors, including holders of the notes, to participate in the assets of any of our subsidiaries upon their liquidation or recapitalization will generally be subject to the prior claims of those subsidiaries creditors. The ability of our subsidiaries to pay dividends and make other payments to us may be restricted by, among other things, applicable corporate and other laws and regulations, as well as agreements to which our subsidiaries may

become a party. As of April 2, 2005, our subsidiaries had no outstanding indebtedness after than trade payables and intercompany liabilities.

The notes do not restrict our ability to incur additional debt or to take other actions that could negatively impact holders of the notes.

We are not restricted under the terms of the notes from incurring additional indebtedness, including other senior, senior subordinated or secured debt. In addition, the limited covenants applicable to the notes do not restrict our ability to pay dividends, issue or repurchase stock or other securities or require us to achieve or maintain any minimum financial results relating to our financial position or results of operations. Our ability to recapitalize, incur additional debt and take a number of other actions that are not limited by the terms of the notes could have the effect of diminishing our ability to make payments on the notes when due. In addition, the indenture does not afford protection to holders of the notes in the event of a fundamental change except to the extent described under Description of Notes Repurchase of the Notes at the Option of Holders upon a Fundamental Change.

We may be unable to repay or repurchase the notes or our other indebtedness.

At maturity, the entire outstanding principal amount of the notes will become due and payable. You may also require us to repurchase the notes on May 16 in each of the years 2011, 2014, 2019, 2024 and 2029. In addition, if a fundamental change, as defined under Description of Notes Repurchase of the Notes at the Option of Holders upon a Fundamental Change, occurs, you may require us to repurchase all or a portion of your notes. We may not have sufficient funds or may be unable to arrange for additional financing to pay the principal amount due at maturity or the repurchase price of the notes. Any future borrowing arrangements or debt agreements to which we become a party may contain restrictions on or prohibitions against our repayment or repurchase of the notes. If we are prohibited from repaying or repurchasing the notes, we could try to obtain the consent of lenders under those arrangements, or we could attempt to refinance the borrowings that contain the restrictions. If we do not obtain the necessary consents or refinance the borrowings, we will be unable to repay or repurchase the notes. Any such failure would constitute an event of default under the indenture, which could, in turn, constitute a default under the terms of any other indebtedness. Any default under our indebtedness could have a material adverse effect on our business, operating results and financial condition.

You could receive less than the value of the shares of common stock into which the notes are convertible as a result of the conditional conversion feature of the notes.

The notes are convertible into shares of our common stock only if specified conditions are met. See Description of Notes Conversion Rights. If the specified conditions for conversion are not met, holders will not be able to convert their notes, and holders may not be able to receive the value of the common stock into which the notes would otherwise be convertible. Further, under certain circumstances, holders converting their notes may receive an amount equal to the accreted principal amount of the notes plus accrued but unpaid cash interest as of the conversion date, rather than an amount equal to the value of the shares issuable upon conversion of the notes. See Description of Notes Conversion Rights.

An active public market may not develop for the notes.

The notes are a relatively new issue of securities with no established trading market. As a result, we cannot provide any assurances that a market will develop for the notes or that you will be able to sell your notes. Notes that are traded after their initial issuance may trade at a discount from their initial offering price. Future trading prices of the notes will depend on many factors, including prevailing interest rates, the market for similar securities, general economic conditions and our financial condition, performance and prospects. Historically, the market for convertible

debt has been subject to disruptions that have caused substantial fluctuations in the prices of the securities. Accordingly, you may be required to bear the financial risk of an investment in the notes for an indefinite period of time.

Since their initial issuance, the notes have been eligible for trading in PORTAL. However, the notes resold pursuant to the registration statement of which this prospectus is a part will no longer be eligible for trading in PORTAL, and we do not intend to list them on any other automated quotation system or any securities exchange. At

the time of the initial issuance of the notes in May 2004, the initial purchaser of the notes advised us that that it intended to make a market in the notes; however, it is not obligated to do so and may discontinue market making at any time without notice. In addition, market making activity by the initial purchaser is subject to the limits imposed by the Securities Act of 1933 and the Securities Exchange Act of 1934. As a result, a market for the notes may not develop or, if one does develop, it may not be maintained. If an active market for the notes fails to develop or be sustained, the trading price of the notes could decline significantly.

The price of our common stock, and therefore the price of the notes, may fluctuate significantly, which may make it difficult for holders to resell the notes or the common stock issuable upon conversion of the notes when desired or at attractive prices.

We expect the market price of the notes to be affected significantly by the market price of our common stock. The price of our common stock has been, and is likely to continue to be, highly volatile, which means that it could decline substantially within a short period of time. The price of our common stock could fluctuate significantly for many reasons, including the following:

- future announcements concerning us or our competitors;
- timing and reaction to the publication of clinical trial results;
- quarterly variations in operating results, which we have experienced in the past and expect to experience in the future;
- charges, amortization and other financial effects relating to our merger with TCA;
- introduction of new products or changes in product pricing policies by us or our competitors;
- acquisition or loss of significant customers, distributors or suppliers;
- business acquisitions or divestitures;
- changes in earnings estimates by analysts;
- changes in third party reimbursement practices;
- regulatory developments, enforcement actions bearing on advertising, marketing or sales, and disclosure regarding completed ongoing or future clinical trials; and
- fluctuations in the economy, world political events or general market conditions.

In addition, stock markets in general, and the market for shares of health care stocks in particular, have experienced extreme price and volume fluctuations in recent years, which fluctuations have frequently been unrelated to the operating performance of the affected companies. These broad market fluctuations may adversely affect the market price of our common stock. The market price of our common stock could decline below its current price and the market price of our stock may fluctuate significantly in the future. These fluctuations may be unrelated to our performance.

Shareholders have often instituted securities class action litigation after periods of volatility in the market price of a company s securities. Several securities class action suits have been filed against us, and if other such suits are filed against us in the future, we may incur substantial legal fees and our management s attention and resources would

be diverted from operating our business in order to respond to the litigation. See Certain lawsuits have been filed against us above.

1,817.5

1,847.3

Other assets
105.3

112.7

Total assets
$
6,807.5

$
6,928.7

Liabilities and Shareholders' Equity

Current liabilities

Current maturities of long-term debt
$
220.0

$
230.0

Notes payable
513.2

289.5

Accounts payable
364.4

397.1

Other current liabilities
603.8

657.1

Total current liabilities
1,701.4

1,573.7

Long-term debt
1,699.0

1,768.9

Deferred income tax liabilities
485.7

471.1

Other liabilities
558.1

592.7

Total liabilities
4,444.2

4,406.4

Shareholders' equity

Common stock
0.7

0.7

Additional paid-in capital
1,633.9

1,641.3

Retained earnings
1,326.8

1,373.0

Treasury stock
(207.2
)

(221.6
)
Accumulated other comprehensive loss
(390.9
)

(271.1
)
Total shareholders' equity
2,363.3

2,522.3

Total liabilities and shareholders' equity
$
6,807.5

$
6,928.7

See accompanying Notes to (Unaudited) Condensed Financial Statements

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ENERGIZER HOLDINGS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Condensed)
(In millions - Unaudited)

	Six Months Ended March 31,			
	2015		2014	
Cash Flow from Operating Activities				
Net earnings	$16.6		$206.4	
Non-cash restructuring costs	11.1		7.2	
Depreciation and amortization	64.6		64.9	
Venezuela deconsolidation charge	144.5		—	
Non-cash items included in income, net	18.2		61.9	
Other, net	(14.4	)	(12.8	)
Changes in current assets and liabilities used in operations	(160.8	)	(98.7	)
Net cash from operating activities	79.8		228.9	
Cash Flow from Investing Activities				
Capital expenditures	(37.0	)	(36.4	)
Change related to Venezuelan operations	(93.8	)	—	
Acquisitions, net of cash acquired	(11.1	)	(185.3	)
Proceeds from sale of assets	13.8		4.3	
Change in restricted cash	13.9		(0.2	)
Net cash used by investing activities	(114.2	)	(217.6	)
Cash Flow from Financing Activities				
Cash payments on debt with original maturities greater than 90 days	(80.2	)	—	
Net increase in debt with original maturities of 90 days or less	224.1		128.9	
Common stock purchased	—		(94.4	)
Cash dividends paid	(62.1	)	(62.1	)
Proceeds from issuance of common stock, net	4.3		2.5	
Excess tax benefits from share-based payments	9.2		4.4	
Net cash from/(used by) financing activities	95.3		(20.7	)
Effect of exchange rate changes on cash	(75.6	)	2.8	
Net decrease in cash and cash equivalents	(14.7	)	(6.6	)
Cash and cash equivalents, beginning of period	1,129.0		998.3	
Cash and cash equivalents, end of period	$1,114.3		$991.7	

See accompanying Notes to (Unaudited) Condensed Financial Statements

ENERGIZER HOLDINGS, INC.
NOTES TO CONDENSED FINANCIAL STATEMENTS
March 31, 2015
(In millions, except per share data – Unaudited)

The accompanying unaudited financial statements have been prepared in accordance with Article 10 of Regulation S-X and do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. The year-end condensed balance sheet data was derived from audited financial statements, but do not include all disclosures required by accounting principles generally accepted in the United States of America (GAAP). In the opinion of management, all adjustments considered necessary for a fair presentation have been included. Certain reclassifications have been made to the prior year financial statements to conform to the current presentation. The Company has evaluated subsequent events and has determined no disclosure is necessary beyond those events disclosed herein. Operating results for any quarter are not necessarily indicative of the results for any other quarter or for the full year. These statements should be read in conjunction with the financial statements and notes thereto for Energizer Holdings, Inc. (the Company) for the year ended September 30, 2014 included in the Annual Report on Form 10-K dated November 18, 2014.

Note 1 - Proposed Spin-off Transaction
As announced on April 30, 2014, the Company is pursuing a plan to separate the Company’s Household Products and Personal Care segments into two independent, publicly traded companies. The separation is planned as a tax-free spin-off to the Company’s shareholders and is expected to be completed by July 1, 2015. The proposed separation is subject to further due diligence as appropriate and customary conditions, including receipt of regulatory approvals, an opinion of counsel regarding the tax-free nature of the separation, the effectiveness of a Form 10 filing with the Securities and Exchange Commission, and final approval by the Company's Board of Directors.

The Company is incurring incremental costs to evaluate, plan and execute the transaction. In addition, the Company plans to execute certain restructuring initiatives in order to prepare both businesses to operate as stand-alone entities. The restructuring initiatives include efforts to:

- Adapt the global go-to-market footprint to adjust to the future strategies and scale of each stand-alone business;
- Centralize certain back-office functions to increase efficiencies;
- Outsource certain non-core transactional activities; and
- Reduce headcount to optimize the cost structures of each stand-alone business

The Company estimates total spin-off and spin restructuring related costs through the close of the spin-off will be approximately $350 to $425. Included in the range is debt breakage fees of approximately $60 as a result of the April 2015 notice of prepayment to the holders of our Private Placement notes. For further information on this amount, see Note 11 to the Condensed Financial Statements. The breakout of estimated spin-off and spin restructuring is shown below.
- $270 to $325 related to the transaction evaluation, planning and execution
- $80 to $100 related to spin restructuring initiatives.

These estimates are based on currently known facts and may change materially as future operating decisions are made. These estimates do not include costs related to certain tax related charges or potential capital expenditures which may be incurred related to the proposed transaction. These additional costs could be significant.
As part of our planning for the proposed spin-off transaction, we are evaluating our world wide cash balances and how those cash balances will be allocated to the two independent companies following the consummation of the planned spin-off on July 1, 2015. As part of the spin-off transaction, it is possible that foreign cash and foreign earnings currently considered to be indefinitely reinvested may be repatriated. Based on our ongoing analysis, we believe the

repatriation of certain foreign cash balances can be done in a tax efficient manner. However, some repatriation could result in the need to record U.S. income tax expense in a future period which would likely be material. Our plans in this regard are not final and will not be finalized until the capitalization plans of both independent companies are completed.

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The Company has incurred the following pre-tax charges related to the transaction evaluation, planning and execution for the current quarter, fiscal year-to-date and project-to-date:

- $48.3 for the second fiscal quarter ($47.6 included in SG&A and $0.7 included in Cost of products sold on the Consolidated Statement of Earnings and Comprehensive Income (Condensed))
- $89.1 for the six months ended March 31, 2015 ($88.4 included in SG&A and $0.7 included in Cost of products sold on the Consolidated Statement of Earnings and Comprehensive Income (Condensed))
- $133.8 for the project-to-date. ($133.1 included in SG&A and $0.7 included in Cost of products sold on the Consolidated Statement of Earnings and Comprehensive Income (Condensed))

In addition, the Company has incurred the following pre-tax charges related to spin restructuring activities which are recorded as a separate line item on the Consolidated Statement of Earnings and Comprehensive Income (Condensed) for the current quarter, fiscal year-to-date and project-to date:

- $45.5 for the second fiscal quarter
- $48.3 for the six months ended March 31, 2015
- $48.3 for the project-to-date

For the quarter and six months ended March 31, 2015 and 2014, the Company recorded pre-tax expense related to the Spin restructuring. The Company does not include the Spin restructuring costs in the results of its reportable segments. The estimated impact of allocating such charges to segment results would have been as follows:

	Quarter Ended March 31, 2015			
	Personal Care	Household Products	Corporate	Total
Severance and related benefit costs	$15.4	$20.2	$1.0	$36.6
Non-cash asset write-down	5.5	2.6	—	8.1
Other exit costs	0.4	0.4	—	0.8
Total	$21.3	$23.2	$1.0	$45.5

	Six Months Ended March 31, 2015			
	Personal Care	Household Products	Corporate	Total
Severance and related benefit costs	$16.8	$21.3	$1.3	$39.4
Non-cash asset write-down	5.5	2.6	—	8.1
Other exit costs	0.4	0.4	—	0.8
Total	$22.7	$24.3	$1.3	$48.3

A summary of the remaining estimated costs for the Spin restructuring is as follows:

- Approximately $10-$15 related to asset write-downs
- Approximately $20-$25 related to severance and related benefit costs, and
- Approximately $10 related to other restructuring related costs.

The following table summarizes the Spin restructuring activities and related accrual which is included in Other current liabilities on the Consolidated Balance Sheet (Condensed) for the first six months of fiscal 2015:

			Utilized			
	October 1, 2014	Charge to Income	Other (a)	Cash	Non-Cash	March 31, 2015
Severance and related benefit costs	$—	$39.4	$0.3	$(7.5)	$—	$32.2
Non-cash asset write-down	—	8.1	(0.1)	—	(8.0)	—
Other exit costs	—	0.8	—	(0.5)	—	0.3
Total	$—	$48.3	$0.2	$(8.0)	$(8.0)	$32.5

(a) Includes the impact of currency translation.

Note 2 – Segment note

Operations for the Company are managed via two segments - Personal Care (Wet Shave, Skin Care, Feminine Care and Infant Care) and Household Products (Battery and Portable Lighting products). Segment performance is evaluated based on segment operating profit, exclusive of general corporate expenses, share-based compensation costs, costs associated with restructuring initiatives (including spin restructuring and the 2013 restructuring detailed below), the second fiscal quarter 2015 charge related to the Venezuela deconsolidation, acquisition, integration or business realignment activities, and amortization of intangible assets. Financial items, such as interest income and expense, are managed on a global basis at the corporate level. The exclusion of charges such as other acquisition transaction and integration costs, and substantially all restructuring and realignment costs, from segment results reflects management's view on how it evaluates segment performance.

The Company's operating model includes a combination of stand-alone and combined business functions between the Personal Care and Household Products businesses, varying by country and region of the world. Shared functions include product warehousing and distribution, various transaction processing functions, and in some countries, a combined sales force and management. The Company applies a fully allocated cost basis, in which shared business functions are allocated between the segments. Such allocations are estimates, and do not represent the costs of such services if performed on a stand-alone basis.

For the quarter and six months ended March 31, 2015, the Company recorded a one-time charge of $144.5 as a result of deconsolidating our Venezuelan subsidiaries, which had no accompanying tax benefit. The Venezuela deconsolidation charge was reported on a separate line in the Consolidated Statements of Earnings and Comprehensive Income (Condensed). See Note 5 to the Condensed Financial Statements.

As announced on April 30, 2014, the Company is pursuing a plan to separate the Household Products and Personal Care divisions into two independent, publicly traded companies. As a result, the Company is incurring incremental costs to evaluate, plan and execute the transaction. For the quarter and six months ended March 31, 2015, $47.6 and $88.4, respectively, of pre-tax charges were recorded in SG&A on the Consolidated Statements of Earnings and Comprehensive Income (Condensed) and $0.7 of pre-tax charges for the quarter and six months ended March 31, 2015 were recorded in Cost of products sold on the Consolidated Statements of Earnings and Comprehensive Income (Condensed). Additionally, the Company recorded $45.5 and $48.3, respectively, in pre-tax spin restructuring charges related to the proposed spin-off transaction for the quarter and six months ended March 31, 2015. The spin restructuring charges were reported on a separate line in the Consolidated Statements of Earnings and Comprehensive Income (Condensed). See Note 1 to the Condensed Financial Statements.

For the quarter and six months ended March 31, 2015, the Company recorded pre-tax expense of $6.9 and $6.4, respectively, related to its 2013 restructuring, as compared to pre-tax expense of $22.7 and $47.1, respectively, in the prior year quarter and six months ended March 31, 2014. The 2013 restructuring charges, net were reported on a

separate line in the Consolidated Statements of Earnings and Comprehensive Income (Condensed). In addition, pre-tax costs of $0.1 and $0.3, respectively, for the quarter and six months ended March 31, 2015 and $3.2 and $5.5, respectively, for the quarter and six months ended March 31, 2014, associated with certain information technology enablement activities related to the Company's restructuring initiatives were included in Selling, general and administrative (SG&A) on the Consolidated Statements of Earnings and Comprehensive Income (Condensed). Additionally, pre-tax costs of $0.4 for the quarter and six months ended March 31, 2014, associated with obsolescence charges related to our restructuring, were included in Cost of products sold on the Statement of

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Earnings (Condensed). These information technology and inventory obsolescence costs are considered part of the total project costs incurred for the restructuring initiative. See Note 4 to the Condensed Financial Statements.

In connection with the feminine care acquisition, the Company recorded pre-tax acquisition/integration costs of $1.0 and $5.9, respectively, for the quarter and six months ended March 31, 2014. These amounts are not reflected in the Personal Care segment, but rather are presented as a separate line item below segment profit. Such presentation reflects management's view on how segment results are evaluated.

For the six months ended March 31, 2014, the Company recorded a pre-tax inventory valuation adjustment of $8.0 related to the feminine care acquisition representing the increased fair value of the inventory based on the estimated selling price of the finished goods acquired at the close date less the sum of (a) costs of disposal and (b) a reasonable profit allowance for the selling effort of the acquiring entity. For the quarter and six months ended March 31, 2014, the Company recorded $1.6 and $8.0, respectively, within Cost of products sold based upon the write-up and subsequent sale of inventory acquired in the feminine care acquisition. These amounts are not reflected in the Personal Care segment, but rather presented as a separate line item below segment profit. Such presentation reflects management's view on how segment results are evaluated.

Segment sales and profitability for the quarter and six months ended March 31, 2015 and 2014, respectively, are presented below.

	For the quarter ended March 31,		For the six months ended March 31,	
	2015	2014	2015	2014
Net Sales				
Personal Care	$651.1	$689.0	$1,188.2	$1,239.2
Household Products	356.9	373.4	858.2	937.1
Total net sales	$1,008.0	$1,062.4	$2,046.4	$2,176.3

	For the quarter ended March 31,		For the six months ended March 31,	
	2015	2014	2015	2014
Segment Profit				
Personal Care	$165.1	$170.7	$281.3	$301.0
Household Products	67.9	62.1	189.1	195.5
Total segment profit	233.0	232.8	470.4	496.5
General corporate and other expenses	(33.7)	(33.5)	(62.2)	(73.7)
Venezuela deconsolidation charge	(144.5)	—	(144.5)	—
Spin costs	(48.3)	—	(89.1)	—
Spin restructuring	(45.5)	—	(48.3)	—
2013 restructuring, net (1)	(7.0)	(26.3)	(6.7)	(53.0)
Feminine care acquisition/integration costs	—	(1.0)	—	(5.9)
Acquisition inventory valuation	—	(1.6)	—	(8.0)
Amortization of intangibles	(3.6)	(4.8)	(7.7)	(9.3)
Interest and other financing items	(23.6)	(29.8)	(48.9)	(59.0)
Total (loss)/earnings before income taxes	$(73.2)	$135.8	$63.0	$287.6

(1) Includes pre-tax costs of $0.1 and $0.3, respectively, for the quarter and six months ended March 31, 2015 and $3.2 and $5.5, respectively, for the quarter and six months ended March 31, 2014, associated with certain information

technology and related activities, which are included in SG&A on the Consolidated Statements of Earnings and Comprehensive Income (Condensed). Additionally, pre-tax costs of $0.4 for the quarter and six months ended March 31, 2014, associated with obsolescence charges related to our restructuring, were included in Cost of products sold on the Statement of Earnings (Condensed).

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Supplemental product information is presented below for revenues from external customers:

Net Sales	For the quarter ended March 31, 2015	2014	For the six months ended March 31, 2015	2014
Wet Shave	$373.3	$401.4	$715.8	$766.6
Alkaline batteries	224.4	222.8	552.3	588.4
Other batteries and lighting products	132.5	150.6	305.9	348.7
Skin Care	130.2	130.0	184.5	186.2
Feminine Care	101.6	107.0	197.4	187.9
Infant Care	32.1	36.9	63.0	72.2
Other personal care products	13.9	13.7	27.5	26.3
Total net sales	$1,008.0	$1,062.4	$2,046.4	$2,176.3

Total assets by segment are presented below:

	March 31, 2015	September 30, 2014
Personal Care	$1,306.0	$1,241.6
Household Products	757.0	882.1
Total segment assets	2,063.0	2,123.7
Corporate	1,468.2	1,470.3
Goodwill and other intangible assets, net	3,276.3	3,334.7
Total assets	$6,807.5	$6,928.7

Note 3 - Acquisitions

Feminine Care Acquisition

In October 2013, the Company completed the acquisition of the Stayfree pad, Carefree liner and o.b. tampon feminine care brands in the U.S., Canada and the Caribbean from Johnson & Johnson for an aggregate cash purchase price of $187.1, inclusive of a $1.8 working capital adjustment, which was finalized and settled in April 2014. The Company financed the feminine care acquisition with approximately $135 of available foreign cash and $50 obtained from borrowings under the Company's available committed bank facilities. Liabilities assumed as a result of the feminine care acquisition were limited primarily to certain employee benefit obligations. The Company combined these acquired brands within its existing feminine care business in the Personal Care segment. Combining these complementary businesses with our existing feminine care products provides the Company with brands in each of the key feminine hygiene categories. There were no contingent payments, options or commitments associated with the feminine care acquisition.

As of March 31, 2014, the purchase price allocation for the feminine care acquisition was complete. We determined the fair values of assets acquired and liabilities assumed for purposes of allocating the purchase price, in accordance with accounting guidance for business combinations. The Company estimated a fair value adjustment for inventory based on the estimated selling price of the finished goods acquired at the closing date less the sum of (a) costs of disposal and (b) a reasonable profit allowance for the selling effort of the acquiring entity. The fair value adjustment for the acquired equipment was established using both a cost and market approach. The fair values of the identifiable intangible assets were estimated using various valuation methods including discounted cash flows using both an income and cost approach.

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The allocation of the purchase price was as follows:

Inventories	$44.4
Goodwill	28.0
Intangible assets	39.3
Other assets	5.1
Property, plant and equipment,net	95.1
Other liabilities	(4.5)
Pension/Other post-retirement benefits	(20.3)
Net assets acquired	$187.1

The purchased amortizable identifiable intangible assets are as follows:

	Total	Estimated Life
Customer relationships	$6.1	20 years
Technology and patents	3.0	7 years
Total	$9.1	

Remaining intangible assets acquired are indefinite-lived intangible assets related to the acquired tradenames and will be fully allocated to the Personal Care segment.

Goodwill will be deductible for tax purposes and amortized over 14 to 15 years, depending on the statutory jurisdiction.

Proforma revenue and operating results for the feminine care acquisition are not included as they are not considered material to the Consolidated Financial Statements.

Household Products Acquisition

On December 12, 2014, the Company completed an acquisition related to the Household Products business for approximately $11, primarily related to the purchase of fixed assets. The estimated value for assets acquired and liabilities assumed will be adjusted when the final purchase price allocations are complete. Any changes to the preliminary estimates will be allocated to residual goodwill and reflected from the acquisition date. The Company has developed a preliminary estimate of the fair values for purposes of allocating the purchase price, but this is subject to change as we complete our valuation activities. The purchase price allocation is not complete due to the timing of the acquisition and is expected to be finalized no later than June 30, 2015. At March 31, 2015, the Company expects this transaction to result in approximately $2 of goodwill.

Note 4 – 2013 Restructuring
In November 2012, the Company's Board of Directors authorized an enterprise-wide restructuring plan ("2013 Restructuring").

The primary objectives of the 2013 Restructuring included reduction in workforce, consolidation of G&A functional support across the organization, reduced overhead spending, creation of a center-led purchasing function and rationalization and streamlining of the Household Products operating facilities, product portfolio and marketing organization.

In January 2014, the Company's Board of Directors authorized an expansion of scope of the previously announced 2013 Restructuring. As a result of the expanded scope of the Company's restructuring efforts, incremental costs will

be incurred to successfully execute the program. Total project restructuring costs are estimated to increase from the original outlook of $250 to approximately $350.

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For the quarter and six months ended March 31, 2015 and 2014, the Company recorded pre-tax (income)/expense related to the 2013 Restructuring. The Company does not include the 2013 Restructuring costs in the results of its reportable segments. The estimated impact of allocating such charges to segment results would have been as follows:

	Quarter Ended March 31, 2015			
	Personal Care	Household Products	Corporate	Total
Severance and related benefit costs	$1.1	$—	$—	$1.1
Accelerated depreciation	2.0	—	—	2.0
Consulting, program management and other exit costs	3.6	0.3	(0.1)	3.8
Total	$6.7	$0.3	$(0.1)	$6.9

	Six Months Ended March 31, 2015			
	Personal Care	Household Products	Corporate	Total
Severance and related benefit costs	$4.2	$0.1	$—	$4.3
Accelerated depreciation	3.4	—	—	3.4
Consulting, program management and other exit costs	7.4	1.5	0.8	9.7
Net gain on asset sales	—	(11.0)	—	(11.0)
Total	$15.0	$(9.4)	$0.8	$6.4

	Quarter Ended March 31, 2014			
	Personal Care	Household Products	Corporate	Total
Severance and related benefit costs	$1.3	$3.2	$0.5	$5.0
Accelerated depreciation	—	2.8	—	2.8
Consulting, program management and other exit costs	4.1	10.3	0.5	14.9
Total	$5.4	$16.3	$1.0	$22.7

	Six Months Ended March 31, 2014			
	Personal Care	Household Products	Corporate	Total
Severance and related benefit costs	$2.9	$7.1	$0.9	$10.9
Accelerated depreciation	—	7.2	—	7.2
Consulting, program management and other exit costs	7.8	20.2	1.0	29.0
Total	$10.7	$34.5	$1.9	$47.1

The 2013 Restructuring costs are reported on a separate line in the Consolidated Statements of Earnings and Comprehensive Income (Condensed). In addition, pre-tax costs of $0.1 and $0.3, respectively, for the quarter and six months ended March 31, 2015 and $3.2 and $5.5, respectively, for the quarter and six months ended March 31, 2014, associated with certain information technology enablement activities related to the Company's restructuring initiatives were included in SG&A on the Consolidated Statement of Earnings and Comprehensive Income (Condensed). Additionally, pre-tax costs of $0.4 for the quarter and six months ended March 31, 2014, associated with obsolescence charges related to our restructuring, were included in Cost of products sold on the Statement of Earnings (Condensed). These information technology costs and non-core inventory obsolescence charges are considered part of the total project costs incurred for the restructuring initiative.

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Total project-to-date costs associated with the 2013 Restructuring are approximately $270, of which, approximately $51 relates to non-cash asset impairment and accelerated depreciation charges, approximately $86 relates to severance and related benefit costs, and approximately $141 relates to consulting, program management and other exit costs. Consulting, program management and other exit costs are inclusive of approximately $17 in certain information technology enablement costs (included in SG&A) and approximately $7 in obsolescence charges (included in Cost of products sold), both of which are considered part of the overall restructuring project. These costs were partially offset by project to date net gains of approximately $9, primarily relating to the gain on sale of the Asia battery packaging facility (recorded in the first fiscal quarter of 2015) and offset by losses on other asset disposals in the prior year.

The Company expects to incur over $300 of restructuring (pre-tax) related charges through June 30, 2015.

A summary of the remaining estimated total costs for the 2013 Restructuring is as follows. These amounts are inclusive of the expanded scope initiatives described above.

- Approximately $15-$20 related to plant closure and accelerated depreciation charges,
- Approximately $30-$40 related to severance and related benefit costs,
- Approximately $5 related to consulting and program management, and
- Approximately $25-$30 related to other restructuring related costs.

The following table summarizes the 2013 restructuring activities and related accrual (excluding certain information technology enablement and obsolescence charges related to the restructuring) for the first six months of fiscal 2015:

	October 1, 2014	Charge to Income	Other (a)	Utilized Cash	Utilized Non-Cash	March 31, 2015
Severance & Termination Related Costs	$22.1	$4.3	$(2.2)	$(5.2)	$—	$19.0
Asset Impairment/Accelerated Depreciation	—	3.4	(0.3)	—	(3.1)	—
Other Related Costs	4.3	9.7	—	(11.6)	—	2.4
Net (gain)/loss on asset sales	—	(11.0)	0.2	13.8	(3.0)	—
Total	$26.4	$6.4	$(2.3)	$(3.0)	$(6.1)	$21.4

(a) Includes the impact of currency translation.

	October 1, 2013	Charge to Income	Other (a)	Utilized Cash	Utilized Non-Cash	September 30, 2014
Severance & Termination Related Costs	$16.3	$32.6	$(0.7)	$(26.1)	$—	$22.1
Asset Impairment/Accelerated Depreciation	—	4.7	—	—	(4.7)	—
Other Related Costs	4.3	52.9	(0.1)	(50.1)	(2.7)	4.3
Net (gain)/loss on asset sales	—	2.4	—	4.9	(7.3)	—
Total	$20.6	$92.6	$(0.8)	$(71.3)	$(14.7)	$26.4

(a) Includes the impact of currency translation .

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Note 5 - Venezuela
Effective January 1, 2010, the financial statements for our Venezuelan subsidiary were consolidated under the rules governing the translation of financial information in a highly inflationary economy based on the use of the blended National Consumer Price Index in Venezuela. Under generally accepted accounting principles an economy is considered highly inflationary if the cumulative inflation rate for a three year period meets or exceeds 100 percent. If a subsidiary is considered to be in a highly inflationary economy, the financial statements of the subsidiary must be re-measured into our reporting currency (U.S. dollar) and future exchange gains and losses from the re-measurement of monetary assets and liabilities are reflected in current earnings, rather than exclusively in the equity section of the balance sheet, until such times as the economy is no longer considered highly inflationary.

Prior to March 31, 2015, we included the results of our Venezuelan operations in our Consolidated Financial Statements using the consolidation method of accounting. The Company’s Venezuelan earnings and cash flows are reflected in the Consolidated Financial Statements at the official exchange rate of 6.30 bolivars per U.S. dollar for the quarter and six months ended March 31, 2015 and 2014, respectively. At March 31, 2015, the Company had $33.8 of USD intercompany receivables due from its Venezuela subsidiaries, for household and personal care products previously imported, the majority of which have been outstanding since Fiscal 2010. As of March 31, 2015 the Company’s Venezuela subsidiary held bolivar denominated cash deposits of $93.8 of cash (at the 6.30 bolivars per U.S. dollar rate).

Venezuelan exchange control regulations have resulted in an other-than-temporary lack of exchangeability between the Venezuelan bolivar and U.S. dollar, and have restricted our Venezuelan operations’ ability to pay dividends and settle intercompany obligations. The severe currency controls imposed by the Venezuelan government have significantly limited our ability to realize the benefits from earnings of the Company’s Venezuelan operations and access the resulting liquidity provided by those earnings. We expect that this condition will continue for the foreseeable future. This lack of exchangeability has resulted in a lack of control over our Venezuelan subsidiaries for accounting purposes. Therefore, in accordance with Accounting Standards Codification 810 -- Consolidation, we deconsolidated our Venezuelan subsidiaries on March 31, 2015 and began accounting for our investment in our Venezuelan operations using the cost method of accounting. As a result of deconsolidating our Venezuelan subsidiaries, we recorded a one-time charge of $144.5 in the second quarter of 2015, which had no accompanying tax benefit. This charge included the write-off of our investment in our Venezuelan subsidiaries, foreign currency translation losses of $33.7 previously recorded in accumulated other comprehensive income and the intercompany receivables discussed above. Our Venezuelan operations’ cash balance of $93.8 (at the 6.30 bolivars per U.S. dollar rate) at March 31, 2015 is no longer reported in Cash and cash equivalents on our Consolidated Balance Sheet. In future periods, our financial results will not include the operating results of our Venezuelan operations. Instead, we will record revenue for sales of inventory to our Venezuelan operations in our consolidated financial statements to the extent cash is received. Further, dividends from our Venezuelan subsidiaries will be recorded as other income upon receipt of the cash.

Note 6 – Share-based payments
Total compensation costs charged against income for the Company’s share-based compensation arrangements were $7.1 and $13.4, respectively, for the quarter and six months ended March 31, 2015 and $9.0 and $17.3, respectively, for the quarter and six months ended March 31, 2014 and were recorded in SG&A. The total income tax benefit recognized in the Consolidated Statements of Earnings and Comprehensive Income (Condensed) for share-based compensation arrangements was $2.7 and $5.0, respectively, for the quarter and six months ended March 31, 2015 and $3.4 and $6.5, respectively, for the quarter and six months ended March 31, 2014.

Restricted Stock Equivalents (RSE) - (In whole dollars and total shares)

In November 2014, which is fiscal 2015, the Company granted RSE awards to a group of key employees which included approximately 146,300 shares that vest ratably over four years or upon death, disability or change of control. The Company also granted additional RSE awards to a group of key executives totaling 113,300 shares which vest on the second anniversary of the date of the grant or upon death, disability or change of control and potential pro rata vesting for retirement based on age and service requirements. The closing stock price on the date of the grant used to determine the award fair value was $128.47.

In November 2013, the Nominating and Executive Compensation Committee of the Board of Directors of the Company (the "Committee") granted three-year performance restricted stock equivalent awards subject to achievement of certain performance conditions over the three-year period commencing October 1, 2013, the beginning of the Company's fiscal 2014 (the "2013 Awards").

Subsequent to the quarter and in light of the spin-off transaction, on April 27, 2015, the Committee authorized the conversion of the 2013 Awards contingent upon completion of the spin-off into time-based restricted stock equivalent awards at target values. The modification of the 2013 Awards is expected to result in incremental cost that is not expected to be material.

Note 7 – Earnings per share
Basic earnings per share is based on the average number of common shares outstanding during the period. Diluted earnings per share is based on the average number of shares used for the basic earnings per share calculation, adjusted for the dilutive effect of stock options and restricted stock equivalents.

The following table sets forth the computation of basic and diluted earnings per share for the quarter and six months ended March 31, 2015 and 2014, respectively.

(in millions, except per share data)	Quarter Ended March 31,		Six Months Ended March 31,	
	2015	2014	2015	2014
Numerator:				
Net (loss)/earnings for basic and dilutive earnings per share	$(88.5)	$98.5	$16.6	$206.4
Denominator:				
Weighted-average shares - basic	62.2	62.0	62.1	62.3
Effect of dilutive securities:				
Stock options	—	0.1	—	0.1
Restricted stock equivalents	0.4	0.5	0.4	0.4
Total dilutive securities	0.4	0.6	0.4	0.5
Weighted-average shares - diluted	62.6	62.6	62.5	62.8
Basic net (loss)/earnings per share	$(1.42)	$1.59	$0.27	$3.31
Diluted net (loss)/earnings per share	$(1.41)	$1.57	$0.27	$3.29

For the quarter and six months ended March 31, 2015 the number of shares considered anti-dilutive was immaterial. For the quarter and six months ended March 31, 2014, there were approximately 0.4 and 0.1, respectively, of the Company's outstanding RSEs and stock options not included in the diluted net earnings per share calculation, because to do so would have been anti-dilutive. In the event that potentially dilutive securities are anti-dilutive on net earnings per share (i.e. have the effect of increasing EPS because the exercise price is higher than the current share price), the impact of the securities is not included in the computation.

Note 8 – Goodwill and intangibles, net
The following table sets forth goodwill by segment as of October 1, 2014 and March 31, 2015.

	Household Products	Personal Care	Total
Balance at October 1, 2014	$37.1	$1,450.3	$1,487.4
Household Products acquisition	1.9	—	1.9
Cumulative translation adjustment	(1.0)	(29.5)	(30.5)
Balance at March 31, 2015	$38.0	$1,420.8	$1,458.8

Total amortizable intangible assets at March 31, 2015 are as follows:

	Gross Carrying Amount	Accumulated Amortization	Net
To be amortized:			
Tradenames/Brands	$18.0	$12.7	$5.3
Technology and patents	76.7	63.3	13.4
Customer-related/Other	155.2	69.4	85.8
Total amortizable intangible assets	$249.9	$145.4	$104.5

Estimated amortization expense for amortizable intangible assets for the remainder of fiscal 2015 and the years ending September 30, 2016, 2017, 2018, 2019 and 2020 is approximately $7.6, $15.3, $14.9, $7.4, $6.1 and $5.5, respectively, and $47.7 thereafter.

The Company had indefinite-lived intangible assets of $1,713.0 ($1,635.0 in Personal Care and $78.0 in Household Products) at March 31, 2015, a decrease of $14.1 from September 30, 2014 due to changes in foreign currency translation rates.

Goodwill and intangible assets deemed to have an indefinite life are not amortized, but reviewed annually for impairment of value or when indicators of a potential impairment are present. The Company continuously monitors changing business conditions, which may indicate that the remaining useful life of goodwill and other intangible assets may warrant revision or carrying amounts may require adjustment. As part of the fiscal 2014 testing, no impairment was indicated. Future changes in the judgments, assumptions and estimates that are used in our impairment testing including discount rates or future operating results and related cash flow projections, could result in significantly different estimates of the fair values in the future.

Note 9 – Income Taxes

Our six month effective tax rate was 73.7% as compared to 24.9% for the twelve months ended September 30, 2014. The effective tax rate was unfavorably impacted by the Venezuela deconsolidation charge of $144.5, which had no accompanying tax benefit. This charge had a 51.3% impact on our effective tax rate in the six months ended March 31, 2015.

Note 10 – Pension plans and other postretirement benefits

The Company has several defined benefit pension plans covering substantially all of its employees in the United States (U.S.) and certain employees in other countries. The plans provide retirement benefits based on years of service and on earnings.

The Company also sponsors or participates in a number of other non-U.S. pension and postretirement arrangements, including various retirement and termination benefit plans, some of which are required by local law or coordinated with government-sponsored plans, which are not significant in the aggregate and, therefore, are not included in the information presented below.

The Company's net periodic pension benefit cost for these plans are as follows:

	Quarter Ended March 31,		Six Months Ended March 31,	
	2015	2014	2015	2014
Service cost	$2.1	$3.4	$4.4	$7.1
Interest cost	11.8	13.5	24.0	27.3
Expected return on plan assets	(17.6)	(17.0)	(35.4)	(34.5)
Amortization of prior service cost	—	—	0.1	—
Amortization of unrecognized net loss	2.3	4.6	4.8	9.3
Settlement charge	—	—	—	0.1
Net periodic benefit cost	$(1.4)	$4.5	$(2.1)	$9.3

Effective January 1, 2014, benefits under the U.S. pension plan were frozen and future service benefits are no longer being accrued. As a result, the amortization period for unrecognized gains and losses was changed for fiscal 2015 and beyond from the average remaining service period of active employees to the average remaining life expectancy of all plan participants. Because unrecognized losses currently exist, this change will result in a decrease in future pension expense due to the longer amortization period being applied.

Note 11 – Debt

The Company’s total borrowings were $2,432.2 at March 31, 2015, including $513.2 tied to variable interest rates. The Company maintains total committed debt facilities of $2,842.2.

The detail of long-term debt for the dates indicated is as follows:

	March 31, 2015	September 30, 2014
Private Placement, fixed interest rates ranging from 5.2% to 6.6%, due 2015 to 2017	$820.0	$900.0
Senior Notes, fixed interest rate of 4.7%, due 2021	600.0	600.0
Senior Notes, fixed interest rate of 4.7%, due 2022, net of discount	499.0	498.9
Total long-term debt, including current maturities	1,919.0	1,998.9
Less current portion	220.0	230.0
Total long-term debt	$1,699.0	$1,768.9

Notes payable at March 31, 2015 and September 30, 2014 consisted of notes payable to financial institutions with original maturities of less than one year of $513.2 and $289.5, respectively, and had a weighted-average interest rate of 2.2% and 2.1%, respectively.

The Company's Amended and Restated Revolving Credit Agreement, which matures in 2016, was amended in February 2015 to provide for revolving credit loans and the issuance of letters of credit in an aggregate amount of up to $750.0 at March 31, 2015. The Company had outstanding borrowings of $340.0 under our revolving credit facility, recorded within notes payable and $14.2 of outstanding letters of credit. Taking into account outstanding borrowings and outstanding letters of credit, $395.8 remains available as of March 31, 2015.

Advances under the Company's $150 receivables securitization program, as amended, are not considered debt for purposes of the Company’s debt compliance covenants, but are included in Notes payable on the balance sheet. At March 31, 2015 and September 30, 2014, $150.0 and $133.5, respectively, was outstanding under this facility.

In addition, the Company had outstanding international borrowings, recorded within Notes payable, of $23.2 and $21.0 as of March 31, 2015 and September 30, 2014, respectively.

Under the terms of the Company’s credit agreement, the ratio of the Company’s indebtedness to its earnings before interest taxes depreciation and amortization (EBITDA), as defined in the agreement and detailed below, cannot be greater than 4.0 to 1, and may not remain above 3.5 to 1 for more than four consecutive quarters. If and so long as the ratio is above 3.5 to 1 for any period, the Company is required to pay additional interest expense for the period in which the ratio exceeds 3.5 to 1. The interest rate margin and certain fees vary depending on the indebtedness to EBITDA ratio. Under the Company’s private placement note agreements, indebtedness to EBITDA may not be greater than 4.0 to 1; if the ratio is above 3.5 to 1 for any quarter, the Company is required to pay additional interest on the private placement notes of 0.75% per annum for each quarter until the ratio is reduced to not more than 3.5 to 1. In addition, under the credit agreement, the ratio of its current year earnings before interest and taxes (EBIT), as defined in the agreement, to total interest expense must exceed 3.0 to 1. Under the credit agreement, EBITDA is defined as net earnings, as adjusted to add-back interest expense, income taxes, depreciation and amortization, all of which are determined in accordance with GAAP. In addition, the credit agreement allows certain non-cash charges such as stock award amortization and asset write-offs including, but not limited to, impairment and accelerated depreciation, to be “added-back” in determining EBITDA for purposes of the indebtedness ratio. Severance and other cash charges incurred as a result of restructuring and realignment activities as well as expenses incurred in acquisition integration activities are included as reductions in EBITDA for calculation of the indebtedness ratio. In the event of an acquisition,

EBITDA is calculated on a pro forma basis to include the trailing twelve-month EBITDA of the acquired company or brands. Total debt is calculated in accordance with GAAP, but excludes outstanding borrowings under the receivable securitization program. EBIT is calculated in a fashion identical to EBITDA except that depreciation and amortization are not “added-back”. Total interest expense is calculated in accordance with GAAP.

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The Company’s ratio of indebtedness to its EBITDA was 3.3 to 1, and the ratio of its EBIT to total interest expense was 4.7 to 1, as of March 31, 2015. In addition to the financial covenants described above, the credit agreements and the note purchase agreements contain customary representations and affirmative and negative covenants, including limitations on liens, sales of assets, subsidiary indebtedness, mergers and similar transactions, changes in the nature of the business of the Company and transactions with affiliates. If the Company fails to comply with the financial covenants referred to above or with other requirements of the credit agreement or private placement note agreements, the lenders would have the right to accelerate the maturity of the debt. Acceleration under one of these facilities would trigger cross defaults on other borrowings.

Aggregate maturities of long-term debt, including current maturities, at March 31, 2015 are as follows: $220.0 in one year, $290.0 in two years, $310.0 in three years, zero in four years, zero in five years and $1,100.0 thereafter.

Subsequent to the quarter, on April 29, 2015, we entered into a 364-day Term Loan Credit Agreement to borrow up to $1 billion under a senior unsecured loan facility (the “Bridge Facility”). No loans are currently outstanding under the Bridge Facility. In connection with entering into the Bridge Facility, we issued an irrevocable notice of prepayment to the holders of our Private Placement notes in the outstanding principal amount of $820. Energizer intends to prepay these notes in May 2015, from the proceeds of an advance from the Bridge Facility. As a result of the prepayment, we expect to incur approximately $60 in make-whole payments to note holders.

At March 31, 2015, substantially all of the Company's cash balances were located outside the U.S. Given our extensive international operations, a significant portion of our cash is denominated in foreign currencies. We manage our worldwide cash requirements by reviewing available funds among the many subsidiaries through which we conduct our business and the cost effectiveness with which those funds can be accessed. The repatriation of cash balances from certain of our subsidiaries could have adverse tax consequences or be subject to regulatory capital requirements; however, those balances are generally available without legal restrictions to fund ordinary business operations. Under the current structure of the Company, our intention is to reinvest these earnings indefinitely. As part of our planning for the proposed spin-off transaction, we are evaluating our world wide cash balances and how those cash balances will be allocated to the two independent companies following the consummation of the planned spin-off on July 1, 2015. As part of the spin-off transaction, it is possible that foreign cash and foreign earnings currently considered to be indefinitely reinvested may be repatriated. Based on our ongoing analysis, we believe the repatriation of certain foreign cash balances can be done in a tax efficient manner. However, some repatriation could result in the need to record U.S. income tax expense in a future period which would likely be material. Our plans in this regard are not final and will not be finalized until the capitalization plans of both independent companies are completed.

The counterparties to deposits consist of a number of major financial institutions. The Company consistently monitors positions with, and credit ratings of, counterparties both internally and by using outside ratings agencies.

Note 12 – Shareholders' Equity

Beginning in September 2000, the Company’s Board of Directors approved a series of resolutions authorizing the repurchase of shares of Energizer common stock, with no commitments by the Company to repurchase such shares. In April 2012, the Board of Directors approved the repurchase of up to ten million shares. During the quarter ended March 31, 2015, the Company did not repurchase any shares of the Company's common stock, other than a small number of shares related to the net settlement of certain stock awards for tax withholding purposes. The Company has approximately five million shares remaining under the above noted Board authorization to repurchase its common stock in the future. Future share repurchases, if any, would be made on the open market, privately negotiated transactions or otherwise, in such amounts and at such times as the Company deems appropriate based upon prevailing market conditions, business needs and other factors.

On November 3, 2014, the Company's Board of Directors declared a dividend for the first quarter of fiscal 2015 of $0.50 per share of Common Stock, which was paid on December 16, 2014. The dividend paid totaled $31.1.

On January 26, 2015, the Company's Board of Directors declared a dividend for the second quarter of fiscal 2015 of $0.50 per share of Common Stock, which was paid on March 18, 2015. The dividend paid totaled $31.1.

Subsequent to the quarter, on April 27, 2015, the Company's Board of Directors declared a dividend for the third quarter of fiscal 2015 of $0.50 per share of Common Stock, which will be paid on June 10, 2015 and is expected to be approximately $31.

Note 13 – Financial Instruments and Risk Management
At times, the Company enters into contractual arrangements (derivatives) to reduce its exposure to foreign currency, interest rate and commodity price risks. The section below outlines the types of derivatives that existed at March 31, 2015 and September 30, 2014, as well as the Company's objectives and strategies for holding derivative instruments.

Commodity Price Risk The Company uses raw materials that are subject to price volatility. At times, the Company has used, and may in the future use, hedging instruments to reduce exposure to variability in cash flows associated with future purchases of certain materials and commodities. At March 31, 2015 and September 30, 2014, there were no open derivative or hedging instruments for future purchases of raw materials or commodities.

Foreign Currency Risk A significant share of the Company's sales are tied to currencies other than the U.S. dollar, the Company's reporting currency. As such, a weakening of currencies relative to the U.S. dollar can have a negative impact to reported earnings. Conversely, strengthening of currencies relative to the U.S. dollar can improve reported results. The primary currencies to which the Company is exposed include the Euro, the Japanese Yen, the British pound, the Canadian dollar and the Australian dollar.

Additionally, the Company's foreign subsidiaries enter into internal and external transactions that create non-functional currency balance sheet positions at the foreign subsidiary level. These exposures are generally the result of intercompany purchases, intercompany loans and to a lesser extent, external purchases, and are revalued in the foreign subsidiary's local currency at the end of each period. Changes in the value of the non-functional currency balance sheet positions in relation to the foreign subsidiary's local currency results in an exchange gain or loss recorded in Other financing items, net on the Consolidated Statements of Earnings and Comprehensive Income (Condensed). The primary currency to which the Company's foreign subsidiaries are exposed is the U.S. dollar.

Interest Rate Risk The Company has interest rate risk with respect to interest expense on variable rate debt. At March 31, 2015, the Company had $513.2 of variable rate debt outstanding, which was primarily outstanding borrowings under the Company's receivable securitization program and its Revolving Credit Agreement.

Cash Flow Hedges At March 31, 2015, the Company maintains a cash flow hedging program related to foreign currency risk. These derivative instruments have a high correlation to the underlying exposure being hedged and have been deemed highly effective for accounting purposes in offsetting the associated risk.

The Company enters into a series of forward currency contracts to hedge the cash flow uncertainty of forecasted inventory purchases due to currency fluctuations. These transactions are accounted for as cash flow hedges. The Company had an unrealized pre-tax gain of $26.9 and $14.5 at March 31, 2015 and September 30, 2014, respectively, on these forward currency contracts accounted for as cash flow hedges included in Accumulated other comprehensive loss on the Consolidated Balance Sheets (Condensed). Assuming foreign exchange rates versus the U.S. dollar remain at March 31, 2015 levels over the next twelve months, approximately $26.6 of the pre-tax gain included in Accumulated other comprehensive loss at March 31, 2015, is expected to be included in earnings. Contract maturities for these hedges extend into fiscal year 2016. There were 80 open foreign currency contracts at March 31, 2015 with a total notional value of approximately $286.

Derivatives not Designated in Hedging Relationships The Company held a share option with a major financial institution to mitigate the impact of changes in certain of the Company's deferred compensation liabilities, which are tied to the Company's common stock price. The contract matured in November 2014. Period activity related to the share option is classified in the same category in the cash flow statement as the period activity associated with the Company's deferred compensation liability, which is cash flow from operations.

The Company enters into foreign currency derivative contracts which are not designated as cash flow hedges for accounting purposes to hedge balance sheet exposures. Any gains or losses on these contracts are expected to be offset by exchange gains or losses on the underlying exposures, thus they are not subject to significant market risk. The change in estimated fair value of the foreign currency contracts for the quarter and six months ended March 31, 2015 resulted in income of $0.3 and $5.4, respectively, and income of $1.9 and $10.7, respectively, for the quarter and six months ended March 31, 2014 and was recorded in Other financing items, net on the Consolidated Statements of Earnings and Comprehensive Income (Condensed). There were 13 open foreign currency derivative contracts which are not designated as cash flow hedges at March 31, 2015, with a total notional value of approximately $210.

The following table provides estimated fair values as of March 31, 2015 and September 30, 2014, and the amounts of gains and losses on derivative instruments classified as cash flow hedges for the quarter and six months ended March 31, 2015 and 2014.

	At March 31, 2015	For the Quarter Ended March 31, 2015		For the Six Months Ended March 31, 2015	
Derivatives designated as Cash Flow Hedging Relationships	Estimated Fair Value, Asset (Liability) (1) (2)	Gain/(Loss) Recognized in OCI (3)	Gain/(Loss) Reclassified From OCI into Income(Effective Portion) (4) (5)	Gain/(Loss) Recognized in OCI (3)	Gain/(Loss) Reclassified From OCI into Income(Effective Portion) (4) (5)
Foreign currency contracts	$26.9	$14.8	$ 8.9	$26.9	$ 14.5
Total	$26.9	$14.8	$ 8.9	$26.9	$ 14.5

	At September 30, 2014	For the Quarter Ended March 31, 2014		For the Six Months Ended March 31, 2014	
Derivatives designated as Cash Flow Hedging Relationships	Estimated Fair Value, Asset (Liability) (1) (2)	Gain/(Loss) Recognized in OCI (3)	Gain/(Loss) Reclassified From OCI into Income(Effective Portion) (4) (5)	Gain/(Loss) Recognized in OCI (3)	Gain/(Loss) Reclassified From OCI into Income(Effective Portion) (4) (5)
Foreign currency contracts	$14.5	$(1.2)	$ 2.6	$3.4	$ 4.9
Total	$14.5	$(1.2)	$ 2.6	$3.4	$ 4.9

(1) All derivative assets are presented in other current assets or other assets.
(2) All derivative liabilities are presented in other current liabilities or other liabilities.
(3) OCI is defined as other comprehensive income.
(4) Gain/(Loss) reclassified to Income was recorded as follows: Foreign currency contracts in Other financing items, net.
(5) Each of these derivative instruments had a high correlation to the underlying exposure being hedged for the periods indicated and had been deemed highly effective in offsetting associated risk.

The following table provides estimated fair values as of March 31, 2015 and September 30, 2014, and the amounts of gains and losses on derivative instruments not classified as cash flow hedges for the quarter and six months ended March 31, 2015 and 2014, respectively.

	At March 31, 2015	For the Quarter Ended March 31, 2015	For the Six Months Ended March 31, 2015
Derivatives not designated as Cash Flow Hedging Relationships	Estimated Fair Value Asset (Liability)	Gain/(Loss) Recognized in Income (1)	Gain/(Loss) Recognized in Income (1)
Share option (2)	$—	$—	$0.5
Foreign currency contracts	(4.8)	0.3	5.4
Total	$(4.8)	$0.3	$5.9

	At September 30, 2014	For the Quarter Ended March 31, 2014	For the Six Months Ended March 31, 2014
Derivatives not designated as Cash Flow Hedging Relationships	Estimated Fair Value Asset (Liability)	Gain/(Loss) Recognized in Income (1)	Gain/(Loss) Recognized in Income (1)

Share option	$5.6	$(2.2)	$5.2
Foreign currency contracts	3.3	1.9	10.7
Total	$8.9	$(0.3)	$15.9

(1) Gain/(Loss) recognized in Income was recorded as follows: Share option in Selling, general and administrative expense and foreign currency contracts in Other financing items, net.

(2) The Company held a share option with a major financial institution, which matured in November 2014 and was subsequently not renewed.

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The following table provides financial assets and liabilities as of March 31, 2015 and September 30, 2014 as required by applicable accounting guidance for balance sheet offsetting:

Offsetting of derivative assets

		At March 31, 2015			At September 30, 2014		
Description	Balance Sheet location	Gross amounts of recognized assets	Gross amounts offset in the Balance Sheet	Net amounts of assets presented in the Balance Sheet	Gross amounts of recognized assets	Gross amounts offset in the Balance Sheet	Net amounts of assets presented in the Balance Sheet
Foreign Currency Contracts	Other Current Assets, Other Assets	$29.9	$(0.2)	$29.7	$19.8	$(0.4)	$19.4

Offsetting of derivative liabilities

		At March 31, 2015			At September 30, 2014		
Description	Balance Sheet location	Gross amounts of recognized liabilities	Gross amounts offset in the Balance Sheet	Net amounts of liabilities presented in the Balance Sheet	Gross amounts of recognized liabilities	Gross amounts offset in the Balance Sheet	Net amounts of liabilities presented in the Balance Sheet
Foreign Currency Contracts	Other Current Liabilities, Other Liabilities	$(7.7)	$0.1	$(7.6)	$(1.8)	$0.2	$(1.6)

The net amounts of derivative assets and liabilities are reconciled to the individual line item amounts presented in the Consolidated Balance Sheet (Condensed).

Fair Value Hierarchy Accounting guidance on fair value measurements for certain financial assets and liabilities requires that assets and liabilities carried at fair value be classified in one of the following three categories:

Level 1: Quoted market prices in active markets for identical assets or liabilities.

Level 2: Observable market based inputs or unobservable inputs that are corroborated by market data.

Level 3: Unobservable inputs reflecting the reporting entity’s own assumptions or external inputs from inactive markets.

Under the fair value accounting guidance hierarchy, an entity is required to maximize the use of quoted market prices and minimize the use of unobservable inputs. The following table sets forth the Company's financial assets and liabilities, which are carried at fair value, as of March 31, 2015 and September 30, 2014 that are measured on a recurring basis during the period, segregated by level within the fair value hierarchy:

	Level 2	
	March 31, 2015	September 30, 2014
Assets/(Liabilities) at estimated fair value:		
Deferred Compensation	$(152.3)	$(157.3)
Derivatives - Foreign Currency Contracts	22.1	17.8
Share Option	—	5.6
Net Liabilities at estimated fair value	$(130.2)	$(133.9)

The Company held a share option with a major financial institution, which matured in November 2014 and was subsequently not renewed.

At March 31, 2015 and September 30, 2014, the Company had no level 1 or level 3 financial assets or liabilities.

At March 31, 2015 and September 30, 2014, the fair market value of fixed rate long-term debt was $1,976.6 and $2,056.5, respectively, compared to its carrying value of $1,919.0 and $1,998.9, respectively. The estimated fair value of the long-term debt is estimated using yields obtained from independent pricing sources for similar types of borrowing arrangements. The estimated fair value of fixed rate long-term debt has been determined based on level 2 inputs.

Due to the nature of cash and cash equivalents and short-term borrowings, including notes payable, carrying amounts on the balance sheets approximate fair value. The estimated fair value of cash and cash equivalents and short-term borrowings have been determined based on level 2 inputs.

At March 31, 2015, the estimated fair value of foreign currency contracts, is the amount that the Company would receive or pay to terminate the contracts, considering first, quoted market prices of comparable agreements, or in the absence of quoted market prices, such factors as interest rates, currency exchange rates and remaining maturities. The estimated fair value of the deferred compensation liability is determined based upon the quoted market prices of the Energizer Common Stock Unit Fund as well as other investment options that are offered under the plan.

Note 14 – Accumulated Other Comprehensive (Loss)/Income

The following table presents the changes in accumulated other comprehensive income (AOCI), net of tax by component:

	Foreign Currency Translation Adjustments	Pension/Postretirement Activity	Hedging Activity	Total
Balance at September 30, 2014	$(78.2)	$ (202.8)	$9.9	$(271.1)
OCI before reclassifications	(173.1)	7.5	(1.0)	(166.6)
Venezuela deconsolidation charge	33.7	—	—	33.7
Reclassifications to earnings	—	2.9	10.2	13.1
Balance at March 31, 2015	$(217.6)	$ (192.4)	$19.1	$(390.9)

The following table presents the reclassifications out of AOCI:

	For the Quarter Ended March 31, 2015	For the Six Months Ended March 31, 2015	For the Quarter Ended March 31, 2014	For the Six Months Ended March 31, 2014	
Details of AOCI Components	Amount Reclassified from AOCI (1)	Amount Reclassified from AOCI (1)	Amount Reclassified from AOCI (1)	Amount Reclassified from AOCI (1)	Affected Line Item in the Consolidated Statements of Earnings
Gains and losses on cash flow hedges					
Foreign exchange contracts	$8.9	$14.5	$2.6	$4.9	Other financing items, net
	8.9	14.5	2.6	4.9	Total before tax
	(2.6)	(4.3)	(1.1)	(2.2)	Tax expense
	$6.3	$10.2	$1.5	$2.7	Net of tax
Amortization of defined benefit pension/postretirement items					
Prior service costs	(0.1)	—	—	—	(2)
Actuarial losses	2.1	4.4	4.6	9.3	(2)
Settlement gain	—	—	—	0.1	(2)
	2.0	4.4	4.6	9.4	Total before tax
	(0.7)	(1.5)	(1.6)	(3.3)	Tax expense
	$1.3	$2.9	$3.0	$6.1	Net of tax
Foreign currency translation adjustments					
Venezuela deconsolidation charge	$33.7	$33.7	$—	$—	Venezuela deconsolidation charge
	$33.7	$33.7	$—	$—	
Total reclassifications for the period	$41.3	$46.8	$4.5	$8.8	Net of tax

(1) Amounts in parentheses indicate debits to profit/loss.

(2)

These AOCI components are included in the computation of net periodic benefit cost (see Note 10 for further details).

Note 15 – Supplemental Financial Statement Information

	March 31, 2015	September 30, 2014
Inventories		
Raw materials and supplies	$98.1	$92.6
Work in process	133.3	120.3
Finished products	426.5	404.0
Total inventories	$657.9	$616.9
Other Current Assets		
Miscellaneous receivables	$51.6	$74.4
Deferred income tax benefits	137.6	136.3
Prepaid expenses	138.4	117.3
Value added tax collectible from customers	41.9	48.0
Income taxes receivable	87.4	71.1
Other	33.3	41.6
Total other current assets	$490.2	$488.7
Property, Plant and Equipment		
Land	$40.2	$42.5
Buildings	287.3	296.4
Machinery and equipment	1,781.4	1,804.6
Construction in progress	61.8	53.4
Total gross property	2,170.7	2,196.9
Accumulated depreciation	(1,456.1)	(1,445.2)
Total property, plant and equipment, net	$714.6	$751.7
Other Current Liabilities		
Accrued advertising, sales promotion and allowances	$88.5	$106.0
Accrued trade allowances	74.4	82.6
Accrued salaries, vacations and incentive compensation	64.7	113.2
Income taxes payable	42.2	42.5
Returns reserve	23.6	45.4
2013 restructuring reserve	21.4	26.4
Spin restructuring	32.5	—
Spin-off accrual	27.7	12.9
Other	228.8	228.1
Total other current liabilities	$603.8	$657.1
Other Liabilities		
Pensions and other retirement benefits	$300.6	$342.3
Deferred compensation	152.3	157.3
Other non-current liabilities	105.2	93.1
Total other liabilities	$558.1	$592.7

Note 16 – Recently issued accounting pronouncements

On April 7, 2015, the FASB issued a new ASU, which requires debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liabilities, consistent with debt discounts. The update will be effective for the Company beginning October 1, 2016, and early adoption is permitted for financial statements that have not been previously issued. Retrospective application is required, and an entity is required to comply with the applicable disclosures for a change in accounting principles

upon adoption. The Company is in the process of evaluating the impact the revised guidance will have on its financial statements.

Note 17 – Legal Proceedings/Contingencies

The Company and its affiliates are subject to a number of legal proceedings in various jurisdictions arising out of its operations. Many of these legal matters are in preliminary stages and involve complex issues of law and fact, and may proceed for protracted periods of time. The amount of liability, if any, from these proceedings cannot be determined with certainty. We are a party to legal proceedings and claims that arise during the ordinary course of business. We review our legal proceedings and claims, regulatory reviews and inspections and other legal proceedings on an ongoing basis and follow appropriate accounting guidance when making accrual and disclosure decisions. We establish accruals for those contingencies where the incurrence of a loss is probable and can be reasonably estimated, and we disclose the amount accrued and the amount of a reasonably possible loss in excess of the amount accrued, if such disclosure is necessary for our financial statements to not be misleading. We do not record liabilities when the likelihood that the liability has been incurred is probable, but the amount cannot be reasonably estimated. Based upon present information, the Company believes that its liability, if any, arising from such pending legal proceedings, asserted legal claims and known potential legal claims which are likely to be asserted, is not reasonably likely to be material to the Company’s financial position, results of operations, or cash flows, taking into account established accruals for estimated liabilities.

Note 18 – Guarantor and Non-Guarantor Financial Information - (Unaudited)

The Company's notes issued in May 2011 and May 2012 (collectively the "Notes") are fully and unconditionally guaranteed on a joint and several basis by the Company's existing and future direct and indirect domestic subsidiaries that are guarantors of any of the Company's credit agreements or other indebtedness for borrowed money (the “Guarantors”). The Guarantors are 100% owned either directly or indirectly by the Company and jointly and severally guarantee the Company's obligations under the Notes and substantially all of the Company's other outstanding indebtedness. The Company's subsidiaries organized outside of the U.S. and certain domestic subsidiaries, which are not guarantors of any of the Company's other indebtedness, (collectively, the “Non-Guarantors”) do not guarantee the Notes. The subsidiary guarantee with respect to the Notes is subject to release upon sale of all of the capital stock of the Subsidiary Guarantor; if the guarantee under the Company's credit agreements and other indebtedness for borrowed money is released or discharged (other than due to payment under such guarantee); or when the requirements for legal defeasance are satisfied or the obligations are discharged in accordance with the indenture.

Set forth below are the condensed consolidating financial statements presenting the results of operations, financial position and cash flows of the Parent Company (Energizer Holdings, Inc.), the Guarantors on a combined basis, the Non-Guarantors on a combined basis and eliminations necessary to arrive at the information for the Company as reported, on a consolidated basis. Eliminations represent adjustments to eliminate investments in subsidiaries and intercompany balances and transactions between or among the Parent Company, the Guarantor and the Non-Guarantor subsidiaries.

Consolidated Statements of Earnings (Condensed)
For the Quarter Ended March 31, 2015

	Parent Company	Guarantors	Non-Guarantors	Eliminations	Total
Net Sales	$—	$662.8	$ 558.8	$(213.6)	$1,008.0
Cost of products sold	—	387.3	331.5	(212.3)	506.5
Gross Profit	—	275.5	227.3	(1.3)	501.5
Selling, general and administrative expense	42.5	90.7	90.8	—	224.0
Advertising and sales promotion expense	—	64.6	43.4	(0.1)	107.9
Research and development expense	—	21.9	0.4	—	22.3
Venezuela deconsolidation charge	—	129.8	14.7	—	144.5
Spin restructuring	—	9.1	36.4	—	45.5
2013 restructuring	—	6.0	0.9	—	6.9
Interest expense	28.1	—	0.8	—	28.9
Intercompany interest (income)/expense	(27.5)	27.5	—	—	—
Other financing items, net	—	0.1	(5.4)	—	(5.3)
Intercompany service fees	—	2.9	(2.9)	—	—
Equity in earnings of subsidiaries	54.4	(32.4)	—	(22.0)	—
(Loss)/Earnings before income taxes	(97.5)	(44.7)	48.2	20.8	(73.2)
Income tax provision	(9.0)	11.8	13.7	(1.2)	15.3
Net (loss)/earnings	$(88.5)	$(56.5)	$ 34.5	$22.0	$(88.5)
Statement of Comprehensive Income:					
Net (loss)/earnings	$(88.5)	$(56.5)	$ 34.5	$22.0	$(88.5)
Other comprehensive (loss)/income, net of tax	(66.4)	(23.8)	(67.3)	91.1	(66.4)
Total comprehensive (loss)/income	$(154.9)	$(80.3)	$ (32.8)	$113.1	$(154.9)

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Consolidated Statements of Earnings (Condensed)
For the Six Months Ended March 31, 2015

	Parent Company	Guarantors	Non-Guarantors	Eliminations	Total
Net Sales	$—	$1,273.3	$ 1,189.0	$(415.9)	$2,046.4
Cost of products sold	—	763.7	705.0	(413.0)	1,055.7
Gross Profit	—	509.6	484.0	(2.9)	990.7
Selling, general and administrative expense	66.5	186.8	189.0	—	442.3
Advertising and sales promotion expense	—	110.3	82.9	(0.2)	193.0
Research and development expense	—	43.3	1.0	—	44.3
Venezuela deconsolidation charge	—	129.8	14.7	—	144.5
Spin restructuring	—	10.0	38.3	—	48.3
2013 restructuring	—	11.6	(5.2)	—	6.4
Interest expense	55.9	—	1.7	—	57.6
Intercompany interest (income)/expense	(54.8)	54.8	—	—	—
Other financing items, net	—	0.3	(9.0)	—	(8.7)
Intercompany service fees	—	4.2	(4.2)	—	—
Equity in earnings of subsidiaries	(70.6)	(133.7)	—	204.3	—
Earnings before income taxes	3.0	92.2	174.8	(207.0)	63.0
Income tax provision	(13.6)	26.6	36.1	(2.7)	46.4
Net earnings	$16.6	$65.6	$ 138.7	$(204.3)	$16.6
Statement of Comprehensive Income:					
Net Earnings	$16.6	$65.6	$ 138.7	$(204.3)	$16.6
Other comprehensive (loss)/income, net of tax	(119.8)	(58.3)	(121.4)	179.7	(119.8)
Total comprehensive (loss)/income	$(103.2)	$7.3	$ 17.3	$(24.6)	$(103.2)

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	Consolidated Statements of Earnings (Condensed)				
	For the Quarter Ended March 31, 2014				
	Parent Company	Guarantors	Non-Guarantors	Eliminations	Total
Net Sales	$—	$659.5	$ 582.8	$(179.9)	$1,062.4
Cost of products sold	—	392.9	340.5	(179.3)	554.1
Gross Profit	—	266.6	242.3	(0.6)	508.3
Selling, general and administrative expense	—	99.6	100.9	(0.3)	200.2
Advertising and sales promotion expense	—	48.3	48.9	(0.1)	97.1
Research and development expense	—	22.2	0.5	—	22.7
2013 restructuring	—	14.6	8.1	—	22.7
Interest expense	30.3	—	1.0	—	31.3
Intercompany interest (income)/expense	(29.7)	29.8	—	(0.1)	—
Other financing items, net	—	0.2	(1.7)	—	(1.5)
Intercompany service fees	—	2.0	(1.9)	(0.1)	—
Equity in earnings of subsidiaries	(99.6)	(67.4)	—	167.0	—
Earnings before income taxes	99.0	117.3	86.5	(167.0)	135.8
Income tax provision	0.5	19.5	17.3	—	37.3
Net earnings	$98.5	$97.8	$ 69.2	$(167.0)	$98.5
Statement of Comprehensive Income:					
Net Earnings	$98.5	$97.8	$ 69.2	$(167.0)	$98.5
Other comprehensive income/(loss), net of tax	2.1	1.3	(0.4)	(0.9)	2.1
Total comprehensive income	$100.6	$99.1	$ 68.8	$(167.9)	$100.6

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	Consolidated Statements of Earnings (Condensed) For the Six Months Ended March 31, 2014				
	Parent Company	Guarantors	Non-Guarantors	Eliminations	Total
Net Sales	$—	$1,285.7	$ 1,226.2	$(335.6)	$2,176.3
Cost of products sold	—	782.7	706.6	(333.1)	1,156.2
Gross Profit	—	503.0	519.6	(2.5)	1,020.1
Selling, general and administrative expense	—	200.8	203.2	(0.3)	403.7
Advertising and sales promotion expense	—	93.1	85.2	(0.2)	178.1
Research and development expense	—	43.6	1.0	—	44.6
2013 restructuring	—	32.3	14.8	—	47.1
Interest expense	60.4	—	2.1	—	62.5
Intercompany interest (income)/expense	(59.3)	59.4	—	(0.1)	—
Other financing items, net	—	0.3	(3.8)	—	(3.5)
Intercompany service fees	—	4.1	(4.0)	(0.1)	—
Equity in earnings of subsidiaries	(209.0)	(167.6)	—	376.6	—
Earnings before income taxes	207.9	237.0	221.1	(378.4)	287.6
Income tax provision	1.5	33.2	48.3	(1.8)	81.2
Net earnings	$206.4	$203.8	$ 172.8	$(376.6)	$206.4
Statement of Comprehensive Income:					
Net Earnings	$206.4	$203.8	$ 172.8	$(376.6)	$206.4
Other comprehensive income/(loss), net of tax	6.5	(0.6)	1.5	(0.9)	6.5
Total comprehensive income	$212.9	$203.2	$ 174.3	$(377.5)	$212.9

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Consolidated Balance Sheets (Condensed)
March 31, 2015

	Parent Company	Guarantors	Non-Guarantors	Eliminations	Total
Assets					
Current assets					
Cash and cash equivalents	$—	$15.3	$ 1,099.0	$—	$1,114.3
Trade receivables, net (a)	—	8.9	440.0	—	448.9
Inventories	—	395.8	309.7	(47.6)	657.9
Other current assets	—	283.6	192.1	14.5	490.2
Total current assets	—	703.6	2,040.8	(33.1)	2,711.3
Investment in subsidiaries	7,237.9	2,184.1	—	(9,422.0)	—
Intercompany receivables, net (b)	—	4,122.4	416.5	(4,538.9)	—
Intercompany notes receivable (b)	1,956.3	1.9	10.7	(1,968.9)	—
Property, plant and equipment, net	—	412.5	302.1	—	714.6
Goodwill	—	1,086.5	372.3	—	1,458.8
Other intangible assets, net	—	1,646.4	171.1	—	1,817.5
Other assets	7.4	31.2	66.7	—	105.3
Total assets	$9,201.6	$10,188.6	$ 3,380.2	$(15,962.9)	$6,807.5
Liabilities and Shareholders' Equity					
Current liabilities	$600.4	$456.5	$ 644.5	$—	$1,701.4
Intercompany payables, net (b)	4,538.9	—	—	(4,538.9)	—
Intercompany notes payable (b)	—	1,967.0	1.9	(1,968.9)	—
Long-term debt	1,699.0	—	—	—	1,699.0
Deferred income tax liabilities	—	457.5	28.2	—	485.7
Other liabilities	—	395.6	162.5	—	558.1
Total liabilities	6,838.3	3,276.6	837.1	(6,507.8)	4,444.2
Total shareholders' equity	2,363.3	6,912.0	2,543.1	(9,455.1)	2,363.3
Total liabilities and shareholders' equity	$9,201.6	$10,188.6	$ 3,380.2	$(15,962.9)	$6,807.5

(a) Trade receivables, net for the Non-Guarantors includes $235.3 at March 31, 2015 of U.S. trade receivables sold from the Guarantors to Energizer Receivables Funding Corp ("ERF"), a 100% owned, special purpose subsidiary, which is a non-guarantor of the Notes. These receivables are used by ERF to securitize the borrowings under the Company's receivable securitization facility. The trade receivables are short-term in nature (on average less than 90 days). As payment of the receivable obligation is received from the customer, ERF remits the cash to the Guarantors in payment for the purchase of the receivables. Cost and expenses paid by ERF related to the receivable securitization facility are re-billed to the Guarantors by way of intercompany services fees.

(b) Intercompany activity includes notes that bear interest due from the Guarantors to the Parent Company. Interest rates on these notes approximate the interest rates paid by the Parent on third party debt. Additionally, other intercompany activities include product purchases between Guarantors and Non-Guarantors, charges for services provided by the parent and various subsidiaries to other affiliates within the consolidated entity and other intercompany activities in the normal course of business.

	Consolidated Balance Sheets (Condensed)				
	September 30, 2014				
	Parent Company	Guarantors	Non-Guarantors	Eliminations	Total
Assets					
Current assets					
Cash and cash equivalents	$—	$3.3	$ 1,125.7	$—	$1,129.0
Trade receivables, net (a)	—	6.5	488.5	—	495.0
Inventories	—	336.9	321.0	(41.0)	616.9
Other current assets	0.1	253.2	223.6	11.8	488.7
Total current assets	0.1	599.9	2,158.8	(29.2)	2,729.6
Investment in subsidiaries	7,287.0	2,204.6	—	(9,491.6)	—
Intercompany receivables, net (b)	—	4,336.9	337.3	(4,674.2)	—
Intercompany notes receivable (b)	2,038.3	1.9	12.6	(2,052.8)	—
Property, plant and equipment, net	—	417.6	334.1	—	751.7
Goodwill	—	1,086.5	400.9	—	1,487.4
Other intangible assets, net	—	1,653.2	194.1	—	1,847.3
Other assets	8.3	35.0	69.4	—	112.7
Total assets	$9,333.7	$10,335.6	$ 3,507.2	$(16,247.8)	$6,928.7
Liabilities and Shareholders' Equity					
Current liabilities	$368.3	$531.4	$ 674.0	$—	$1,573.7
Intercompany payables, net (b)	4,674.2	—	—	(4,674.2)	—
Intercompany notes payable (b)	—	2,050.9	1.9	(2,052.8)	—
Long-term debt	1,768.9	—	—	—	1,768.9
Deferred income tax liabilities	—	442.3	28.8	—	471.1
Other liabilities	—	410.3	182.4	—	592.7
Total liabilities	6,811.4	3,434.9	887.1	(6,727.0)	4,406.4
Total shareholders' equity	2,522.3	6,900.7	2,620.1	(9,520.8)	2,522.3
Total liabilities and shareholders' equity	$9,333.7	$10,335.6	$ 3,507.2	$(16,247.8)	$6,928.7

(a) Trade receivables, net for the Non-Guarantors includes $247.9 at September 30, 2014 of U.S. trade receivables sold from the Guarantors to Energizer Receivables Funding Corp ("ERF"), a 100% owned, special purpose subsidiary, which is a non-guarantor of the Notes. These receivables are used by ERF to securitize the borrowings under the Company's receivable securitization facility. The trade receivables are short-term in nature (on average less than 90 days). As payment of the receivable obligation is received from the customer, ERF remits the cash to the Guarantors in payment for the purchase of the receivables. Cost and expenses paid by ERF related to the receivable securitization facility are re-billed to the Guarantors by way of intercompany services fees.

(b) Intercompany activity includes notes that bear interest due from the Guarantors to the Parent Company. Interest rates on these notes approximate the interest rates paid by the Parent on third party debt. Additionally, other intercompany activities include product purchases between Guarantors and Non-Guarantors, charges for services provided by the parent and various subsidiaries to other affiliates within the consolidated entity and other intercompany activities in the normal course of business.

	Consolidated Statements of Cash Flows (Condensed) For the Six Months Ended March 31, 2015				
	Parent Company	Guarantors	Non-Guarantors	Eliminations	Total
Net cash flow (used by)/from operations	$(9.2)	$(35.1)	$ 124.1	$—	$79.8
Cash Flow from Investing Activities					
Capital expenditures	—	(27.3)	(9.7)	—	(37.0)
Change related to Venezuelan operations	—	—	(93.8)	—	(93.8)
Acquisitions, net of cash acquired	—	(11.1)	—	—	(11.1)
Proceeds from sale of assets	—	—	13.8	—	13.8
Proceeds from intercompany notes	80.0	—	—	(80.0)	—
Intercompany receivable/payable, net	(205.0)	(58.0)	(19.4)	282.4	—
Payment for equity contributions	—	(0.6)	—	0.6	—
Change in restricted cash	—	—	13.9	—	13.9
Net cash (used by)/from investing activities	(125.0)	(97.0)	(95.2)	203.0	(114.2)
Cash Flow from Financing Activities					
Cash payments on debt with original maturities greater than 90 days	(80.2)	—	—	—	(80.2)
Net increase (decrease) in debt with original maturities of 90 days or less	205.0	(0.3)	19.4	—	224.1
Payments for intercompany notes	—	(80.0)	—	80.0	—
Cash dividends paid	(62.1)	—	—	—	(62.1)
Proceeds from issuance of common stock, net	4.3	—	—	—	4.3
Excess tax benefits from share-based payments	9.2	—	—	—	9.2
Intercompany receivable/payable, net	58.0	224.4	—	(282.4)	—
Proceeds for equity contributions	—	—	0.6	(0.6)	—
Net cash from/(used by) financing activities	134.2	144.1	20.0	(203.0)	95.3
Effect of exchange rate changes on cash	—	—	(75.6)	—	(75.6)
Net increase/(decrease) in cash and cash equivalents	—	12.0	(26.7)	—	(14.7)
Cash and cash equivalents, beginning of period	—	3.3	1,125.7	—	1,129.0
Cash and cash equivalents, end of period	$—	$15.3	$ 1,099.0	$—	$1,114.3

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	Consolidated Statements of Cash Flows (Condensed)				
	For the Six Months Ended March 31, 2014				
	Parent Company	Guarantors	Non-Guarantors	Eliminations	Total
Net cash flow (used by)/from operations	$(29.7)	$119.0	$ 146.5	$(6.9)	$228.9
Cash Flow from Investing Activities					
Capital expenditures	—	(21.1)	(15.3)	—	(36.4)
Acquisitions, net of cash acquired	—	(50.1)	(135.2)	—	(185.3)
Proceeds from sale of assets	—	3.3	1.0	—	4.3
Proceeds from intercompany notes	—	0.4	—	(0.4)	—
Intercompany receivable/payable, net	(80.0)	(176.3)	(44.5)	300.8	—
Payment for equity contributions	—	(0.7)	—	0.7	—
Other, net	—	—	(0.2)	—	(0.2)
Net cash (used by)/from investing activities	(80.0)	(244.5)	(194.2)	301.1	(217.6)
Cash Flow from Financing Activities					
Net increase in debt with original maturities of 90 days or less	80.0	1.7	47.2	—	128.9
Payments for intercompany notes	—	—	(0.4)	0.4	—
Common stock purchased	(94.4)	—	—	—	(94.4)
Cash dividends paid	(62.1)	—	—	—	(62.1)
Proceeds from issuance of common stock, net	2.5	—	—	—	2.5
Excess tax benefits from share-based payments	4.4	—	—	—	4.4
Intercompany receivable/payable, net	176.3	124.5	—	(300.8)	—
Proceeds for equity contributions	—	—	0.7	(0.7)	—
Intercompany dividend	—	—	(6.9)	6.9	—
Net cash from/(used by) financing activities	106.7	126.2	40.6	(294.2)	(20.7)
Effect of exchange rate changes on cash	—	—	2.8	—	2.8
Net (decrease)/increase in cash and cash equivalents	(3.0)	0.7	(4.3)	—	(6.6)
Cash and cash equivalents, beginning of period	8.0	8.4	981.9	—	998.3
Cash and cash equivalents, end of period	$5.0	$9.1	$ 977.6	$—	$991.7

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Energizer Holdings, Inc.
Items 2 and 3. Management's Discussion and Analysis of Financial Condition and Results of Operations, and Quantitative and Qualitative Disclosures About Market Risk
(In millions, except per share data - Unaudited)

The following discussion is a summary of the key factors management considers necessary in reviewing the historical results of operations, operating segment results, and liquidity and capital resources of Energizer Holdings, Inc. (the "Company"). Statements in the Management's Discussion and Analysis of Financial Condition and Results of Operations that are not historical may be considered forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. See "Forward-Looking Statements" presented below. The Company reports results in two segments: Personal Care, which includes wet shave, skin care, feminine care and infant care products and Household Products, which includes batteries and portable lighting products. This discussion should be read in conjunction with the accompanying unaudited financial statements and notes thereto for the quarter and six months ended March 31, 2015 and the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 2014.

The disclosures within this Management's Discussion and Analysis of Financial Condition and Results of Operations are on a consolidated basis for the Company as a whole and do not take into account the planned spin-off of the Household Products business. For more information on the risks associated with actions related to the planned spin-off of the Household Products business, see the section entitled "Risk Factors" in this document and in the Company's annual report on Form 10-K for the year ended September 30, 2014 and in Item 1a of Part II of this document.

Non-GAAP Financial Measures

While the Company reports financial results in accordance with accounting principles generally accepted in the U.S. ("GAAP"), this discussion includes non-GAAP measures. These non-GAAP measures, such as adjusted net earnings, adjusted net earnings per diluted share, operating results, organic sales, SG&A as a percent of net sales (exclusive of spin costs, restructuring related charges and integration expenses) and other comparison changes, exclude the impact of currency devaluations and other currency movements, the costs associated with restructuring and other initiatives, costs associated with the planned spin-off transaction, certain charges related to the Venezuela deconsolidation charge, costs associated with acquisitions and integration as well as acquisition inventory valuation, adjustments to prior year tax accruals, pension curtailment and certain other items as outlined in this document, are not in accordance with, nor are they a substitute for, GAAP measures. Additionally, we are unable to provide a reconciliation of forward-looking non-GAAP measures due to uncertainty regarding future restructuring related charges, spin-off related charges, the impact of fluctuations in foreign currency movements and the cost of raw materials. The Company believes these non-GAAP measures provide a meaningful comparison to the corresponding historical or future period and assist investors in performing analysis consistent with financial models developed by research analysts. Investors should consider non-GAAP measures in addition to, not as a substitute for, or superior to, the comparable GAAP measures.

Industry and Market Data

Unless we indicate otherwise, we base the information concerning our industry contained or incorporated by reference herein on our general knowledge of and expectations concerning the industry. Our market position, market share and industry market size is based on our estimates using our internal data and estimates, based on data from various industry analyses, our internal research and adjustments and assumptions that we believe to be reasonable. We have not independently verified data from industry analyses and cannot guarantee their accuracy or completeness. In addition, we believe that data regarding the industry, market size and our market position and market share within such industry provide general guidance but are inherently imprecise. Further, our estimates and assumptions involve risks and uncertainties and are subject to change based on various factors, including those discussed in the "Risk

Factors" section of our Annual Report on Form 10-K for the year ended September 30, 2014. These and other factors could cause results to differ materially from those expressed in the estimates and assumptions.
Retail sales for purposes of market size, market position and market share information are based on retail sales in U.S. dollars.

Forward-Looking Statements

Forward-Looking Statements. This document contains both historical and forward-looking statements. Forward-looking statements are not based on historical facts but instead reflect our expectations, estimates or projections concerning future results or events, including, without limitation, statements regarding the planned spin-off of the Household Products business, the timing of any such spin-off, the future earnings and performance of Energizer Holdings or any of its businesses, including the Household Products and Personal Care businesses on a standalone basis if the spin-off is completed. These statements generally can be identified by the use of forward-looking words or phrases such as "believe," "expect," "expectation," "anticipate," "may," "could," "intend," "belief," "estimate," "plan," "target," "predict," "likely," "will," "should," "forecast," "outlook," or other similar words or phrases. These statements are not guarantees of performance and are inherently subject to known and unknown risks, uncertainties and assumptions that are difficult to predict and could cause our actual results to differ materially from those indicated by those statements. We cannot assure you that any of our expectations, estimates or projections will be achieved. The forward-looking statements included in this document are only made as of the date of this document and we disclaim any obligation to publicly update any forward-looking statement to reflect subsequent events or circumstances. Numerous factors could cause our actual results and events to differ materially from those expressed or implied by forward-looking statements, including, without limitation:

- Whether the spin-off of the Household Products business is completed, as expected or at all, and the timing of any such spin-off;
- Whether the conditions to the spin-off can be satisfied and the debt capital structures of each independent business can be established as expected;
- Whether the operational, marketing and strategic benefits of the spin-off can be achieved;
- Whether the costs and expenses of the spin-off can be controlled within expectations;
- General market and economic conditions;
- Market trends in the categories in which we operate;
- The success of new products and the ability to continually develop and market new products;
- Our ability to attract, retain and improve distribution with key customers;
- Our ability to continue planned advertising and other promotional spending and the effectiveness of such spending;
- Our ability to timely execute strategic initiatives, including restructurings, in a manner that will positively impact our financial condition and results of operations and does not disrupt our business operations;
- The impact of strategic initiatives, including the planned spin-off of the Household Products business as well as restructurings, on our relationships with employees, customers and vendors;
- Our ability to maintain and improve market share in the categories in which we operate despite heightened competitive pressure;
- Our ability to improve operations and realize cost savings;
- The impact of foreign currency exchange rates and currency controls, as well as offsetting hedges;
- The impact of raw material and other commodity costs;
- Goodwill impairment charges resulting from declines in profitability or estimated cash flows related to intangible assets or market valuations for similar assets;
- Costs and reputational damage associated with cyber-attacks or information security breaches;
- Our ability to acquire and integrate businesses, and to realize the projected results of acquisitions;
- The impact of advertising and product liability claims and other litigation;
- Compliance with debt covenants and maintenance of credit ratings as well as the impact of interest and principal repayment of our existing and any future debt; or
- The impact of legislative or regulatory determinations or changes by federal, state and local, and foreign authorities, including taxing authorities.

In addition, other risks and uncertainties not presently known to us or that we consider immaterial could affect the accuracy of any such forward-looking statements. The list of factors above is illustrative, but by no means exhaustive. All forward-looking statements should be evaluated with the understanding of their inherent uncertainty. Additional risks and uncertainties include those detailed from time to time in Energizer's publicly filed documents, including its annual report on Form 10-K for the year ended September 30, 2014 and in Item 1a of Part II of this document.

Highlights / Operating Results

Net loss for the quarter ended March 31, 2015 was $88.5, or $(1.41) per diluted share, compared to net earnings of $98.5, or $1.57 per diluted share, for the same quarter last year. Net earnings for the six months ended March 31, 2015 were $16.6, or $0.27 per diluted share, compared to $206.4, or $3.29 per diluted share, for the six months ended March 31, 2014.

Second fiscal quarter results saw organic top-line improvement as a result of the new battery product launch, EcoAdvanced™, as well as continued margin rate improvement due to savings from the 2013 restructuring project and lower commodity costs. The second quarter also reflects the impacts of significant weakening in foreign currency rates versus the U.S. dollar, the Venezuela deconsolidation charge, increased Advertising & Promotion (A&P) investments in support of innovation launch activity and brand building programs and costs incurred as a result of our spin transaction and restructuring efforts.

For the six months ended March 31, 2015, results reflect organic top-line declines, the impacts of significant weakening in foreign currency rates versus the U.S. dollar, the Venezuela deconsolidation charge, increased A&P investments and costs incurred as a result of our spin transaction and restructuring efforts. Partially offsetting these decreases were continued margin rate improvements and accretion from the feminine care brands acquisition.

Net earnings and diluted earnings per share (EPS) for the time periods presented were impacted by certain items related to restructuring and realignment activities, spin restructuring costs, spin transaction costs, Venezuela deconsolidation charge, acquisition and integration costs and certain other adjustments as described in the tables below. The impact of these items on reported net earnings and reported net earnings per diluted share are provided below as a reconciliation of net earnings and net earnings per diluted share to adjusted net earnings and adjusted net earnings per diluted share, which are non-GAAP measures

	Quarter Ended March 31,			
	Net (Loss)/Earnings		Diluted EPS	
	2015	2014	2015	2014
Net (Loss)/Earnings/Diluted EPS - GAAP (Unaudited)	$(88.5)	$98.5	$(1.41)	$1.57
Impacts, net of tax: Expense/(Income)				
Venezuela deconsolidation charge	144.5	—	2.31	—
Spin costs	31.0	—	0.49	—
Spin restructuring	31.3	—	0.50	—
2013 Restructuring and related costs, net (1)	4.4	17.6	0.07	0.28
Feminine care acquisition/integration costs	—	0.7	—	0.01
Acquisition inventory valuation	—	1.0	—	0.02
Other realignment/integration	0.4	0.2	0.01	—
Net Earnings/Diluted EPS - adjusted (Non-GAAP)	$123.1	$118.0	$1.97	$1.88
Weighted average shares - Diluted			62.6	62.6

(1) Includes net of tax costs of $2.1 for the quarter ended March 31, 2014, associated with certain information technology and related activities, which are included in Selling, general and administrative expense (SG&A) on the Consolidated Statements of Earnings and Comprehensive Income (Condensed). Additionally, net of tax costs of $0.3 for the quarter ended March 31, 2014, associated with obsolescence charges related to our restructuring, were included in Cost of products sold on the Statement of Earnings (Condensed).

	Six Months Ended March 31,			
	Net Earnings		Diluted EPS	
	2015	2014	2015	2014
Net Earnings/Diluted EPS - GAAP (Unaudited)	$16.6	$206.4	$0.27	$3.29
Impacts, net of tax: Expense/(Income)				
Venezuela deconsolidation charge	144.5	—	2.31	—
Spin costs	56.8	—	0.91	—
Spin restructuring	33.1	—	0.53	—
2013 Restructuring and related costs, net (1)	3.3	35.1	0.05	0.56
Feminine care acquisition/integration costs	—	3.8	—	0.06
Acquisition inventory valuation	—	5.0	—	0.08
Other realignment/integration	0.7	0.3	0.01	—
Adjustments to prior years' tax accruals	(2.6)	—	(0.04)	—
Net Earnings/Diluted EPS - adjusted (Non-GAAP)	$252.4	$250.6	$4.04	$3.99
Weighted average shares - Diluted			62.5	62.8

(1) Includes net of tax costs of $0.2 for the six months ended March 31, 2015 and $3.6 for the six months ended March 31, 2014, associated with certain information technology and related activities, which are included in Selling, general and administrative expense (SG&A) on the Consolidated Statements of Earnings and Comprehensive Income (Condensed). Additionally, net of tax costs of $0.3 for the six months ended March 31, 2014, associated with obsolescence charges related to our restructuring, were included in Cost of products sold on the Statement of Earnings (Condensed).

The following table provides a recap of the change in total net sales for the quarter and six months ended March 31, 2015 as compared to the quarter and six months ended March 31, 2014.

Net Sales - Total Company (In millions - Unaudited)
Quarter and Six Months Ended March 31, 2015

	Q2	%Chg	Six Months	%Chg
Net Sales - FY '14	$1,062.4		$2,176.3	
Organic	2.6	0.3 %	(50.2)	(2.4)%
Change in Venezuela results	3.4	0.3 %	3.9	0.2 %
Impact of currency	(60.4)	(5.7)%	(105.0)	(4.8)%
Incremental impact of acquisition	—	— %	21.4	1.0 %
Net Sales - FY '15	$1,008.0	(5.1)%	$2,046.4	(6.0)%

Net sales for the quarter were $1,008.0, a decrease of $54.4, or 5.1%, as compared to the prior year quarter, including a decrease of 5.7% due to an unfavorable movement in currency rates and a benefit of 0.3% due to an increase in reported net sales in Venezuela. Exclusive of the impact of unfavorable currency movements and the benefit of increased Venezuela reported net sales, organic net sales increased 0.3% versus the prior year fiscal quarter due to gains in the Household Products segment.

Net sales for the six months were $2,046.4, a decrease of $129.9, or 6.0%, as compared to the prior year, including a decrease of 4.8% due to an unfavorable movement in currency rates, a benefit of 0.2% due to an increase in reported net sales in Venezuela and an increase of 1.0% due to the incremental impact of sales from the feminine care

acquisition. Exclusive of the impact of unfavorable currency movements, the benefit of increased Venezuela reported net sales and the incremental impact of sales from the feminine care acquisition, organic net sales decreased 2.4% versus the prior year due to declines across both segments.

Gross margin for the second fiscal quarter increased 200 basis points to 49.8%. On a year to date basis, gross margin as a percentage of net sales was 48.4%, up 150 basis points versus prior year. The increase in gross margin for both periods was primarily due to savings from the 2013 restructuring project and lower commodity costs.
Total Selling, general and administrative expense (SG&A) was $224.0, or 22.2% of net sales, for the current year quarter as compared to $200.2, or 18.8% of net sales, for the prior year quarter. Included within the current quarter results were pre-tax costs of $47.6 related to the spin-off transaction, $0.3 of acquisition/integration costs and $0.1 of information technology enablement costs (recorded within SG&A, but considered part of the overall 2013 restructuring project). Excluding the year-over-year impact of these items, SG&A as a percent of net sales decreased 90 basis points compared to prior year levels.

On a year to date basis, SG&A as a percent of net sales was 21.6% as compared to 18.5% in the prior fiscal period, up 310 basis points. Included within the current fiscal year results were pre-tax costs of $88.4 related to the spin-off transaction, $0.6 of acquisition/integration costs and $0.3 of information technology enablement costs (recorded within SG&A, but are considered part of the overall 2013 restructuring project). Excluding the year-over-year impact of these items, SG&A as a percent of net sales decreased 80 basis points compared to prior year levels.

For the quarter, A&P was $107.9, or 10.7% of net sales, as compared to $97.1, or 9.1% of net sales in the prior year quarter. On a year to date basis, A&P spending was approximately $193.0, or 9.4% of net sales as compared to $178.1, or 8.2% of net sales in the prior year. Spending was increased in both segments in support of innovation launch activity and brand building programs.

For the quarter and six months ended March 31, 2015, research and development (R&D) expense was $22.3 and $44.3, respectively, compared to $22.7 and $44.6 for the quarter and six months ended March 31, 2014.

For the quarter and six months ended March 31, 2015, the Company recorded a one-time charge of $144.5 as a result of deconsolidating our Venezuelan subsidiaries, which had no accompanying tax benefit. The Venezuela deconsolidation charge was reported on a separate line in the Consolidated Statements of Earnings and Comprehensive Income (Condensed). See Note 5 to the Condensed Financial Statements.

As announced on April 30, 2014, the Company is pursuing a plan to separate the Household Products and Personal Care segment into two independent, publicly traded companies. As a result, the Company is incurring incremental costs to evaluate, plan and execute the transaction. For the quarter and six months ended March 31, 2015, $48.3 ($47.6 included in SG&A, $0.7 included in Cost of products sold) and $89.1 ($88.4 included in SG&A, $0.7 included in Cost of products sold) of pre-tax charges were recorded in the Consolidated Statements of Earnings and Comprehensive Income (Condensed), respectively. Additionally, the Company recorded $45.5 and $48.3 in pre-tax spin restructuring charges related to the proposed spin transaction for the quarter and six months ended March 31, 2015, respectively. The spin restructuring charges were reported on a separate line in the Consolidated Statements of Earnings and Comprehensive Income (Condensed). See further discussion in the subsequent pages.

For the quarter and six months ended March 31, 2015, the Company recorded pre-tax expense of $6.9 and $6.4, respectively, and $22.7 and $47.1 for the quarter and six months ended March 31, 2014, respectively, related to its 2013 restructuring. Including:

- Accelerated depreciation charges of $2.0 and $3.4 for the quarter and six months ended March 31, 2015, and $2.8 and $7.2 for the quarter and six months ended March 31, 2014, respectively,

- Severance and related benefit costs of $1.1 and $4.3 for the quarter and six months ended March 31, 2015, and $5.0 and $10.9 for the quarter and six months ended March 31, 2014, respectively, associated with staffing reductions that have been identified to date, and

- Consulting, program management and other charges associated with the restructuring of $3.8 and $9.7 for the quarter and six months ended March 31, 2015, and $14.9 and $29.0 for the quarter and six months ended March 31, 2014, respectively, and

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- Net gain on the sale of fixed assets of $11.0 for the six months ended March 31, 2015 related to the sale of our Asia battery packaging facility that was closed as part of the 2013 restructuring project.

The 2013 restructuring costs are reported on a separate line in the Consolidated Statements of Earnings and Comprehensive Income (Condensed). In addition, pre-tax costs of $0.1 and $0.3 for the quarter and six months ended March 31, 2015, respectively, and $3.2 and $5.5 for the quarter and six months ended March 31, 2014 associated with certain information technology enablement activities related to the Company's restructuring initiatives were included in SG&A on the Consolidated Statement of Earnings and Comprehensive Income (Condensed). Additionally, pre-tax costs of $0.4 for the quarter and six months ended March 31, 2014, associated with obsolescence charges related to our restructuring, were included in Cost of products sold on the Statement of Earnings (Condensed). These information technology costs and non-core inventory obsolescence charges are considered part of the total project costs incurred for the restructuring initiative.

In January 2014, the Company's Board of Directors authorized an expansion of scope of the previously announced 2013 restructuring project and delegated authority to the Company's management to determine the final actions with respect to the plan. The expansion of scope is expected to generate additional savings and the Company expects to incur additional charges in order to execute the planned initiatives. Total project restructuring charges are expected to be approximately $350.

Project-to-date savings total approximately $310 as of March 31, 2015.

Total project-to-date costs are approximately $270 as of March 31, 2015. These amounts are inclusive of certain information technology enablement costs (included in SG&A) and inventory obsolescence charges (included in Cost of products sold), both of which are considered part of the overall 2013 restructuring project.

In connection with the feminine care brands acquisition, the Company recorded pre-tax acquisition/integration costs of $1.0 and $5.9 for the quarter and six months ended March 31, 2014. These amounts are not reflected in the Personal Care segment, but rather presented as a separate line item below segment profit. Such presentation reflects management’s view on how segment results are evaluated.

For the six months ended March 31, 2014, the Company recorded a pre-tax inventory valuation adjustment of $8.0 related to the feminine care acquisition representing the increased fair value of the inventory based on the estimated selling price of the finished goods acquired at the close date less the sum of (a) costs of disposal and (b) a reasonable profit allowance for the selling effort of the acquiring entity. For the quarter and six months ended March 31, 2014, the Company recorded $1.6 and $8.0, respectively, within Cost of products sold based upon the write-up and subsequent sale of inventory acquired in the feminine care acquisition. These amounts are not reflected in the Personal Care segment, but rather presented as a separate line item below segment profit. Such presentation reflects management’s view on how segment results are evaluated.

Interest expense was $28.9 and $57.6 for the quarter and six months ended March 31, 2015, down $2.4 and $4.9, respectively, as compared to the prior year quarter. The decrease in interest expense was due primarily to a lower interest rate on average debt outstanding.

Other financing income was $5.3 and $8.7 for the quarter and six months ended March 31, 2015, primarily reflecting the net impact of foreign currency hedging contract gains partially offset by revaluation losses on nonfunctional currency balance sheet exposures, as compared to income of $1.5 and $3.5 in the prior fiscal year quarter and six months ended March 31, 2014.

Our six month effective tax rate was approximately 73.7% as compared to 28.2% in the prior year. The effective tax rate was unfavorably impacted by the Venezuela deconsolidation charge, which had no accompanying tax benefit. Excluding the tax impact of the GAAP to non-GAAP reconciling items detailed in the table above and certain prior year tax adjustments, the year-to-date effective tax rate was 28.3% as compared to 29.3% in the prior fiscal year.

Proposed Spin-off Transaction

As announced on April 30, 2014, the Company is pursuing a plan to separate the Company's Household Products and Personal Care segments into two independent, publicly traded companies. The separation is planned as a tax-free spin-off to the Company's shareholders and is expected to be completed by July 1, 2015. The proposed separation is subject to further due diligence as appropriate and customary conditions, including receipt of regulatory approvals, an opinion of counsel regarding the tax-free nature of the separation, the effectiveness of a Form 10 filing with the Securities and Exchange Commission, and final approval by the Company's Board of Directors.

The Company is incurring incremental costs to evaluate, plan and execute the transaction. In addition, the Company plans to execute certain restructuring initiatives in order to prepare both businesses to operate as stand-alone entities. The restructuring initiatives include efforts to:

- Adapt the global go-to-market footprint to adjust to the future strategies and scale of each stand-alone business;
- Centralize certain back-office functions to increase efficiencies;
- Outsource certain non-core transactional activities; and
- Reduce headcount to optimize the cost structures of each stand-alone business

The spin restructuring initiative savings are targeted to offset incremental costs expected to be incurred to develop the stand-alone organizations. Both businesses are expected to reach a normalized run rate SG&A within three to four quarters post-spin as several duplicate costs will be maintained for a period of time post spin as we stabilize and complete restructuring initiatives.

The Company estimates total spin-off and spin restructuring related costs through the close of the spin-off will be approximately $350 to $425. Included in the range is debt breakage fees of approximately $60 as a result of the April 2015 notice of prepayment to the holders of our Private Placement notes. For further information on this amount, see Note 11 to the Condensed Financial Statements.

These estimates are based on currently known facts and may change materially as future operating decisions are made. These estimates do not include costs related to certain tax related charges or potential capital expenditures which may be incurred related to the proposed transaction. These additional costs could be significant.

As part of our planning for the proposed spin-off transaction, we are evaluating our world wide cash balances and how those cash balances will be allocated to the two independent companies following the consummation of the planned spin-off on July 1, 2015. As part of the spin-off transaction, it is possible that foreign cash and foreign earnings currently considered to be indefinitely reinvested may be repatriated. Based on our ongoing analysis, we believe the repatriation of certain foreign cash balances can be done in a tax efficient manner. However, some repatriation could result in the need to record U.S. income tax expense in a future period which would likely be material. Our plans in this regard are not final and will not be finalized until the capitalization plans of both independent companies are completed.

The Company has incurred the following pre-tax charges related to the total spin-off and spin restructuring related costs for the current quarter, fiscal year-to-date and project-to-date:

- $93.8 for the second fiscal quarter ($47.6 reported in SG&A. $0.7 reported on Cost of products sold and $45.5 reported as a separate line item on the Consolidated Statement of Earnings and Comprehensive Income (Condensed))
- $137.4 for the six months ended March 31, 2015 ($88.4 reported in SG&A, $0.7 reported in Cost of products sold and $48.3 reported as a separate line item on the Consolidated Statement of Earnings and Comprehensive Income (Condensed))

- $182.1 for the project-to-date ($133.1 reported in SG&A, $0.7 reported in Cost of products sold and $48.3 reported as a separate line item on the Consolidated Statement of Earnings and Comprehensive Income (Condensed))

Segment Results

Operations for the Company are managed via two segments - Personal Care (Wet Shave, Skin Care, Feminine Care and Infant Care) and Household Products (Battery and Portable Lighting products). Segment performance is evaluated based on segment operating profit, exclusive of general corporate expenses, share-based compensation costs, costs associated with restructuring initiatives (including spin restructuring and the 2013 restructuring detailed above), the second fiscal quarter 2015 charge related to the Venezuela deconsolidation, acquisition, integration or business realignment activities, and amortization of intangible assets. Financial items, such as interest income and expense, are managed on a global basis at the corporate level. The exclusion of charges such as other acquisition transaction and integration costs, and substantially all restructuring and realignment costs, from segment results reflects management's view on how it evaluates segment performance.

The Company's operating model includes a combination of stand-alone and combined business functions between the Personal Care and Household Products businesses, varying by country and region of the world. Shared functions include product warehousing and distribution, various transaction processing functions, and in some countries, a combined sales force and management. The Company applies a fully allocated cost basis, in which shared business functions are allocated between the segments. Such allocations are estimates, and also do not represent the costs of such services if performed on a stand-alone basis.

This structure is the basis for the Company’s reportable segment information, as included in the tables in Note 2 to the Condensed Financial Statements for the quarter and six months ended March 31, 2015.

Segment sales and profitability for the quarters and six months ended March 31, 2015 and 2014, respectively, are presented below.

Personal Care
Net Sales - Personal Care (In millions - Unaudited)
Quarter and Six Months Ended March 31, 2015

	Q2		% Chg		Six Months		%Chg	
Net Sales - FY '14	$689.0				$1,239.2			
Organic	(8.7	)	(1.3	)%	(25.0	)	(2.0	)%
Change in Venezuela results	6.1		0.9	%	8.8		0.7	%
Impact of currency	(35.3	)	(5.1	)%	(56.2	)	(4.5	)%
Incremental impact of acquisition	—		—	%	21.4		1.7	%
Net Sales - FY '15	$651.1		(5.5	)%	$1,188.2		(4.1	)%

For the quarter, net sales decreased 5.5% on a reported basis. Excluding the unfavorable impact of currency movements and the benefit of increased Venezuela net sales, organic sales decreased 1.3% versus the prior year quarter due to lower volumes across Wet Shave, Infant Care and Feminine Care products, partially offset by improved price/mix in Wet Shave and Skin Care. Despite improved performance in many of our U.S. personal care categories, we experienced share declines driven by increased levels of competitive promotional activities.

From a product standpoint, the net sales change on a reported and organic basis was due primarily to the following:

- Wet Shave net sales decreased approximately 7% on a reported basis. Excluding the unfavorable impact of currency movements and the year-over-year change in Venezuela results net sales decreased approximately 1% on an organic basis primarily due to prior year product launches of Hydro Sensitive in North America.

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Skin Care net sales were flat on a reported basis. Excluding the unfavorable impact of currency movements, net sales increased approximately 3% on an organic basis driven by increased sun care sales due to the timing of Easter.

- Feminine Care net sales decreased approximately 5% on a reported basis. Excluding the unfavorable impact of currency movements, net sales decreased approximately 4% on an organic basis primarily due to prior year product launches, promotional activity, lost distribution and current year competitive activity.

- Infant Care decreased due to continued heightened competitive activity.

For the six months ended March 31, 2015, net sales decreased 4.1% on a reported basis. Excluding the unfavorable impact of currency movements, the benefit of increased Venezuela sales and the incremental impact of acquisition net sales, organic sales decreased 2.0% versus the prior year six months due primarily to lower volumes across Feminine Care, Wet Shave and Infant Care products due to an increased level of competitive promotional activity partially offset by improved price/mix in Wet Shave and Skin Care.

Segment Profit - Personal Care (In millions - Unaudited)
Quarter and Six Months Ended March 31, 2015

	Q2	% Chg	Six Months	%Chg
Segment Profit - FY '14	$170.7		$301.0	
Operations	5.3	3.1%	(4.3)	(1.4)%
Change in Venezuela results	3.3	1.9%	4.2	1.4%
Impact of currency	(14.2)	(8.3)%	(24.1)	(8.0)%
Incremental impact of acquisition	—	—%	4.5	1.5%
Segment Profit - FY '15	$165.1	(3.3)%	$281.3	(6.5)%

Segment profit for the quarter was $165.1, down $5.6 or 3.3%, inclusive of the negative impact of unfavorable currency movements and change in Venezuela results. Operationally, segment profit increased 3.1% in the quarter driven primarily by improved price/mix, restructuring cost savings and lower overhead spending. These favorable items were partially offset by higher A&P spending.

For the six months ended March 31, 2015, segment profit was $281.3, down 6.5%, inclusive of the negative impact of unfavorable currencies, the benefit of the change in Venezuela results and the incremental impact of acquisitions. Operationally, segment profit decreased 1.4% primarily due to increased A&P spending partially offset by improved price/mix, restructuring cost savings and lower overhead spending.

Household Products
Net Sales - Household Products (In millions - Unaudited)
Quarter and Six Months Ended March 31, 2015

	Q2	% Chg	Six Months	%Chg
Net Sales - FY '14	$373.4		$937.1	
Organic	11.3	3.0%	(25.2)	(2.7)%
Change in Venezuela results	(2.7)	(0.7)%	(4.9)	(0.5)%
Impact of currency	(25.1)	(6.7)%	(48.8)	(5.2)%
Net Sales - FY '15	$356.9	(4.4)%	$858.2	(8.4)%

Net sales decreased 4.4% on a reported basis. Excluding the impact of currencies and the change in Venezuela results, organic net sales increased 3.0% versus the prior year quarter due primarily to increased shipments related to the EcoAdvanced™ product launch. We anticipate some of the second fiscal quarter revenue benefit was due to increased initial retail inventory stock fills.

For the six months ended March 31, 2015, net sales decreased 8.4% on a reported basis. Excluding the impact of currencies and the change in Venezuela results, organic sales declined 2.7% versus the prior year due primarily to

increased promotional spending and timing of holiday shipments, partially offset by increased shipments in the second quarter related to the EcoAdvanced™ product launch.

Segment Profit - Household Products (In millions - Unaudited)
Quarter and Six Months Ended March 31, 2015

	Q2	% Chg	Six Months	%Chg
Segment Profit - FY '14	$62.1		$195.5	
Operations	22.1	35.6 %	27.5	14.1 %
Change in Venezuela results	(2.6)	(4.2)%	(4.6)	(2.4)%
Impact of currency	(13.7)	(22.1)%	(29.3)	(15.0)%
Segment Profit - FY '15	$67.9	9.3 %	$189.1	(3.3)%

Segment profit for the quarter was $67.9, up $5.8, or 9.3%, versus the same quarter last year. Excluding the impact of the unfavorable movement in currencies and Venezuela year-over-year results, segment profit increased $22.1 driven by organic net sales gains, reduced overhead spending, improved manufacturing costs resulting from the 2013 restructuring project and lower commodity input prices.

For the six months ended March 31, 2015, segment profit was $189.1, down 3.3%, inclusive of the negative impact of unfavorable currencies and the change in Venezuela results. Operationally, segment profit increased 14.1% primarily due to reduced overhead spending, improved manufacturing costs resulting from the 2013 restructuring project and lower commodity input prices.

General Corporate and Other Expenses

	Quarter Ended March 31,		Six Months Ended March 31,	
	2015	2014	2015	2014
General corporate expenses	$33.2	$33.2	$61.3	$73.2
Integration/other realignment	0.5	0.3	0.9	0.5
Sub-total	33.7	33.5	62.2	73.7
Venezuela deconsolidation charge	144.5	—	144.5	—
Spin costs	48.3	—	89.1	—
Spin restructuring	45.5	—	48.3	
2013 restructuring and related costs (1)	7.0	26.3	6.7	53.0
Feminine care costs:				
Acquisition costs	—	(0.1)	—	3.4
Integration costs	—	1.1	—	2.5
Acquisition inventory valuation	—	1.6	—	8.0
General corporate and other expenses	$279.0	$62.4	$350.8	$140.6
% of total net sales	27.7 %	5.9 %	17.1 %	6.5 %

(1) Includes pre-tax costs of $0.1 and $0.3 for the quarter and six months ended March 31, 2015, respectively, and $3.2 and $5.5 for the quarter and six months ended March 31, 2014, associated with certain information technology and related activities, which are included in SG&A on the Statement of Earnings (Condensed). Additionally, pre-tax costs of $0.4 for the quarter and six months ended March 31, 2014, associated with obsolescence charges related to our restructuring, were included in Cost of products sold on the Statement of Earnings (Condensed).

For the quarter and six months ended March 31, 2015, general corporate and other expenses, including integration and other realignment charges were $33.7 and $62.2 as compared to $33.5 and $73.7 for the same quarter and six months in the prior fiscal year, respectively. The decrease for the six months ended was primarily due to lower compensation costs as well as lower pension costs as a result of the change in amortization period for unrecognized gains and losses, as disclosed in the prior fiscal year.

For the quarter and six months ended March 31, 2015, the Company recorded a one-time charge of $144.5 as a result of deconsolidating our Venezuelan subsidiaries, which had no accompanying tax benefit. The Venezuela

deconsolidation charge was reported on a separate line in the Consolidated Statements of Earnings and Comprehensive Income (Condensed). See Note 5 to the Condensed Financial Statements.

As announced on April 30, 2014, the Company is pursuing a plan to separate the Household Products and Personal Care divisions into two independent, publicly traded companies. As a result, the Company is incurring incremental costs to evaluate, plan and execute the transaction. For the quarter and six months ended March 31, 2015, $46.7 and $88.4 of pre-tax charges were recorded in SG&A on the Consolidated Statements of Earnings and Comprehensive Income (Condensed), respectively, and $0.7 of pre-tax charges for the quarter and six months ended March 31, 2015 were recorded in Cost of products sold on the Statement of Earnings (Condensed). Additionally, the Company recorded $45.5 and $48.3 in pre-tax spin restructuring charges related to the proposed spin transaction, primarily related to severance costs and asset write-offs, for the quarter and six months ended March 31, 2015. The spin restructuring charges were reported on a separate line in the Consolidated Statements of Earnings and Comprehensive Income (Condensed). See Note 1 to the Condensed Financial Statements.

For the quarter and six months ended March 31, 2015, the Company recorded pre-tax expense of $6.9 and $6.4 related to its 2013 restructuring, as compared to pre-tax expense of $22.7 and $47.1 for the prior year quarter and six months, respectively. The 2013 restructuring charges were reported on a separate line in the Consolidated Statements of Earnings and Comprehensive Income (Condensed). In addition, pre-tax costs of $0.1 and $0.3 for the quarter and six months ended March 31, 2015, and $3.2 and $5.5 for the quarter and six months ended March 31, 2014, associated with certain information technology enablement activities related to the Company's restructuring initiatives were included in Selling, general and administrative (SG&A) on the Consolidated Statement of Earnings and Comprehensive Income (Condensed). Additionally, pre-tax costs of $0.4 for the quarter and six months ended March 31, 2014, associated with obsolescence charges related to our restructuring, were included in Cost of products sold on the Statement of Earnings (Condensed). See Note 4 to the Condensed Financial Statements.

In connection with the feminine care brands acquisition, the Company recorded pre-tax acquisition/integration costs of $1.0 and $5.9 for the quarter and six months ended March 31, 2014. These amounts are not reflected in the Personal Care segment, but rather are presented as a separate line item below segment profit. Such presentation reflects management’s view on how segment results are evaluated.

For the six months ended March 31, 2014, the Company recorded a pre-tax inventory valuation adjustment of $8.0 related to the feminine care acquisition representing the increased fair value of the inventory based on the estimated selling price of the finished goods acquired at the close date less the sum of (a) costs of disposal and (b) a reasonable profit allowance for the selling effort of the acquiring entity. For the quarter and six months ended March 31, 2014, the Company recorded $1.6 and $8.0, respectively, within Cost of products sold based upon the write-up and subsequent sale of inventory acquired in the feminine care acquisition. These amounts are not reflected in the Personal Care segment, but rather presented as a separate line item below segment profit. Such presentation reflects management’s view on how segment results are evaluated.

Liquidity and Capital Resources

At March 31, 2015, substantially all of the Company's cash balances were located outside the U.S. Given our extensive international operations, a significant portion of our cash is denominated in foreign currencies. We manage our worldwide cash requirements by reviewing available funds among the many subsidiaries through which we conduct our business and the cost effectiveness with which those funds can be accessed. The repatriation of cash balances from certain of our subsidiaries could have adverse tax consequences or be subject to regulatory capital requirements; however, those balances are generally available without legal restrictions to fund ordinary business operations. Under the current structure of the Company, our intention is to reinvest these earnings indefinitely. As part of our planning for the proposed spin-off transaction, we are evaluating our world wide cash balances and how

those cash balances will be allocated to the two independent companies following the consummation of the planned spin-off on July 1, 2015. As part of the spin-off transaction, it is possible that foreign cash and foreign earnings currently considered to be indefinitely reinvested may be repatriated. Based on our ongoing analysis, we believe the repatriation of certain foreign cash balances can be done in a tax efficient manner. However, some repatriation could result in the need to record U.S. income tax expense in a future period which would likely be material. Our plans in this regard are not final and will not be finalized until the capitalization plans of both independent companies are completed.

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The counterparties to deposits consist of a number of major financial institutions. The Company consistently monitors positions with, and credit ratings of, counterparties both internally and by using outside ratings agencies.

The Company’s total borrowings were $2,432.2 at March 31, 2015, including $513.2 tied to variable interest rates. The Company maintains total committed debt facilities of $2,842.2.

The Company's Amended and Restated Revolving Credit Agreement, which matures in 2016, was amended in February 2015 to provide for revolving credit loans and the issuance of letters of credit in an aggregate amount of up to $750.0 at March 31, 2015. The Company had outstanding borrowings of $340.0 under our revolving credit facility, recorded within notes payable and $14.2 of outstanding letters of credit. Taking into account outstanding borrowings and outstanding letters of credit, $395.8 remains available as of March 31, 2015.

Advances under the Company's $150 receivables securitization program, as amended, are not considered debt for purposes of the Company’s debt compliance covenants, but are included in Notes payable on the balance sheet. At March 31, 2015 and September 30, 2014, there was $150.0 and $133.5, respectively, outstanding under this facility.

In addition, the Company had outstanding international borrowings, recorded within Notes payable, of $23.2 and $21.0 as of March 31, 2015 and September 30, 2014, respectively.

Subsequent to the quarter, on April 29, 2015, we entered into a 364-day Term Loan Credit Agreement to borrow up to $1 billion under a senior unsecured loan facility (the “Bridge Facility”). No loans are currently outstanding under the Bridge Facility. In connection with entering into the Bridge Facility, we issued an irrevocable notice of prepayment to the holders of our Private Placement notes in the outstanding principal amount of $820. Energizer intends to prepay these notes in May 2015, from the proceeds of an advance from the Bridge Facility. As a result of the prepayment, we expect to incur approximately $60 in make-whole payments to note holders.

Operating Activities

Cash flow from operating activities was an inflow of $79.8 for the six months ended March 31, 2015 as compared to an inflow of $228.9 in the first six months of the prior fiscal year. This change was largely driven by lower net earnings as a result of cash expenditures related to spin and restructuring costs incurred in the current year as well as changes in working capital. The change in working capital was largely driven by higher inventory of approximately $118 as a result of temporary inventory builds ahead of new product launches, changes in the Household manufacturing footprint and on-going Personal Care footprint changes.

Prior to March 31, 2015, we included the results of our Venezuelan operations in our Consolidated Financial Statements using the consolidation method of accounting. The Company’s Venezuelan earnings and cash flows are reflected in the Consolidated Financial Statements at the official exchange rate of 6.30 bolivars per U.S. dollar for the quarter and six months ended March 31, 2015 and 2014, respectively. At March 31, 2015, the Company had $33.8 of USD intercompany receivables due from its Venezuela subsidiaries, for household and personal care products previously imported, the majority of which have been outstanding since Fiscal 2010. As of March 31, 2015 the Company’s Venezuela subsidiary held bolivar denominated cash deposits of $93.8 of cash (at the 6.30 per U.S. dollar rate). Venezuelan exchange control regulations have resulted in an other-than-temporary lack of exchangeability between the Venezuelan bolivar and U.S. dollar, and have restricted our Venezuelan operations’ ability to pay dividends and settle intercompany obligations. The severe currency controls imposed by the Venezuelan government have significantly limited our ability to realize the benefits from earnings of the Company’s Venezuelan operations and access the resulting liquidity provided by those earnings. We expect that this condition will continue for the foreseeable future. This lack of exchangeability has resulted in a lack of control over our Venezuelan subsidiaries for accounting purposes. Therefore, in accordance with Accounting Standards Codification 810 -- Consolidation, we

deconsolidated our Venezuelan subsidiaries on March 31, 2015 and began accounting for our investment in our Venezuelan operations using the cost method of accounting. As a result of deconsolidating our Venezuelan subsidiaries, we recorded a one-time charge of $144.5 in the second quarter of 2015, which had no accompanying tax benefit. This charge included the write-off of our investment in our Venezuelan subsidiaries, foreign currency translation losses of $33.7 previously recorded in accumulated other comprehensive income and the intercompany receivables discussed above. Our Venezuelan operations' cash balance of $93.8 (at the 6.30 per U.S. dollar rate) at March 31, 2015 is no longer reported in Cash and cash equivalents on our Consolidated Balance Sheet. In future periods, our financial results will not include the operating results of our Venezuelan operations. Instead, we will record revenue for sales of inventory to our Venezuelan

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operations in our consolidated financial statements to the extent cash is received. Further, dividends from our Venezuelan subsidiaries will be recorded as other income upon receipt of the cash.

Investing Activities

Net cash used by investing activities was $114.2 during the first six months of this fiscal year as compared to $217.6 used in the first six months of the prior year. A primary driver of the decrease in cash used was the $185.3 of cash used to fund the feminine care brand acquisition in the prior year six months. In addition, approximately $14 of proceeds received from the sale of our Asia battery packaging facility and a $13.9 change in restricted cash contributed to less cash used for Investing activities during the current year six months as compared to the prior year.

The Company has been unable to access the cash balance in Venezuela as a result of the severe lack of exchangeability between the Venezuelan bolivar and U.S. dollar. As a result of these conditions, and in accordance with Accounting Standards Codification ("ASC") 810 -- Consolidation, we began reporting the results of our Venezuelan operations using the cost method of accounting. This change, which we made effective March 31, 2015, resulted in a second quarter 2015 one-time charge of $144.5, as discussed above. Our Venezuelan operations' cash balance of $93.8 at March 31, 2015, is no longer reported in Cash and cash equivalents and therefore shown as a cash outflow for the six months ended March 31, 2015. In future periods, our financial results will not include the operating results of our Venezuelan operations. Instead, we will record cash and recognize income from our Venezuelan operations in our consolidated financial statements to the extent we are paid for inventory imports or receive dividends from them.

Capital expenditures were $37.0 for the six months ended March 31, 2015 as compared to $36.4 over the same period last year. Full year capital expenditures for normal operations are estimated to be approximately $70 to $80. These estimates do not include potential expenditures related to the proposed spin-off transaction. We expect these expenditures will be financed with cash flow from operations.

Financing Activities

Net cash from financing activities was $95.3 in the current fiscal year as compared to cash used by financing activities of $20.7 in the prior year. The increase in cash from financing activities was driven by additional cash of approximately $95 from short term borrowings as well as no share repurchases made during the first six months of 2015. Partially offsetting the increase in cash was the payment of private placement debt of $80. In the current year six months, dividends totaled approximately $62, consistent with the prior year payment.

The effect of exchange rate on cash was a reduction of $75.6 in the current fiscal year as compared to an accretive impact of $2.8 in the prior fiscal year quarter. This change was primarily the result of exchange impacts as a result of the strengthening of the U.S. dollar in relation to many foreign currencies, including the Euro.

Under the terms of the Company's credit agreement, the ratio of the Company's indebtedness to its earnings before interest taxes depreciation and amortization (EBITDA), as defined in the agreement and detailed below, cannot be greater than 4.0 to 1, and may not remain above 3.5 to 1 for more than four consecutive quarters. If and so long as the ratio is above 3.5 to 1 for any period, the Company is required to pay additional interest expense for the period in which the ratio exceeds 3.5 to 1. The interest rate margin and certain fees vary depending on the indebtedness to EBITDA ratio. Under the Company's private placement note agreements, indebtedness to EBITDA may not be greater than 4.0 to 1; if the ratio is above 3.5 to 1 for any quarter, the Company is required to pay additional interest on the private placement notes of 0.75% per annum for each quarter until the ratio is reduced to not more than 3.5 to 1. In addition, under the credit agreement, the ratio of its current year earnings before interest and taxes (EBIT), as defined in the agreement, to total interest expense must exceed 3.0 to 1. Under the credit agreement, EBITDA is defined as net

earnings, as adjusted to add-back interest expense, income taxes, depreciation and amortization, all of which are determined in accordance with GAAP. In addition, the credit agreement allows certain non-cash charges such as stock award amortization and asset write-offs including, but not limited to, impairment and accelerated depreciation, to be “added-back” in determining EBITDA for purposes of the indebtedness ratio. Severance and other cash charges incurred as a result of restructuring and realignment activities as well as expenses incurred in acquisition integration activities are included as reductions in EBITDA for calculation of the indebtedness ratio. In the event of an acquisition, EBITDA is calculated on a pro forma basis to include the trailing twelve-month EBITDA of the acquired company or brands. Total debt is calculated in accordance with GAAP, but excludes outstanding borrowings under the receivable securitization program. EBIT is

calculated in a fashion identical to EBITDA except that depreciation and amortization are not "added-back". Total interest expense is calculated in accordance with GAAP.

The Company's ratio of indebtedness to its EBITDA was 3.3 to 1, and the ratio of its EBIT to total interest expense was 4.7 to 1, as of March 31, 2015. In addition to the financial covenants described above, the credit agreements and the note purchase agreements contain customary representations and affirmative and negative covenants, including limitations on liens, sales of assets, subsidiary indebtedness, mergers and similar transactions, changes in the nature of the business of the Company and transactions with affiliates. If the Company fails to comply with the financial covenants referred to above or with other requirements of the credit agreement or private placement note agreements, the lenders would have the right to accelerate the maturity of the debt. Acceleration under one of these facilities would trigger cross defaults on other borrowings.

On November 3, 2014, the Company's Board of Directors declared a dividend for the first quarter of fiscal 2015 of $0.50 per share of Common Stock, which was paid on December 16, 2014. The dividend paid totaled $31.1.

On January 26, 2015, the Company's Board of Directors declared a dividend for the second quarter of fiscal 2015 of $0.50 per share of Common Stock, which was paid on March 18, 2015. The dividend paid totaled $31.1.

Subsequent to the quarter, on April 27, 2015, the Company's Board of Directors declared a dividend for the third quarter of fiscal 2015 of $0.50 per share of Common Stock, which will be paid on June 10, 2015 and is expected to be approximately $31.

During the six months ended March 31, 2015, the Company did not repurchase any shares of the Company's common stock, other than a small number of shares related to the net settlement of certain stock awards for tax withholding purposes. The Company has approximately five million shares remaining under the above noted Board authorization to repurchase its common stock in the future. Future share repurchases, if any, would be made on the open market, privately negotiated transactions or otherwise, in such amounts and at such times as the Company deems appropriate based upon prevailing market conditions, business needs and other factors.

A summary of Energizer's significant contractual obligations at March 31, 2015 is shown below:

	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Long-term debt, including current maturities	$1,920.0	$220.0	$290.0	$310.0	$1,100.0
Interest on long-term debt	461.4	98.8	158.1	103.4	101.1
Notes payable	513.2	513.2	—	—	—
Minimum pension funding [(1)]	28.7	15.8	9.6	3.3	—
Operating leases	129.3	28.9	41.1	29.4	29.9
Purchase obligations and other [(2)] [(3)] [(4)]	144.2	69.8	38.0	16.6	19.8
Total	$3,196.8	$946.5	$536.8	$462.7	$1,250.8

1 Globally, total pension contributions for the Company in the next twelve months are estimated to be approximately $16. The U.S. pension plans constitute over 75% of the total benefit obligations and plan assets for the Company's pension plans. The estimates beyond 2015 represent future pension payments to comply with local funding requirements in the U.S. only. The projected payments beyond fiscal year 2019 are not currently determinable.

2 The Company has estimated approximately $9 of cash settlements associated with unrecognized tax benefits within the next year, which are included in the table above. As of March 31, 2015, the Company's Consolidated Balance Sheet reflects a liability for unrecognized tax benefits of approximately $41. The contractual obligations table above does not include this liability beyond one year. Due to the high degree of uncertainty regarding the timing of future cash outflows of liabilities for unrecognized tax benefits beyond one year, a reasonable estimate of

the period of cash settlement for periods beyond the next twelve months cannot be made, and thus is not included in this table.

3 Included in the table above are approximately $54 of fixed costs related to third party logistics contracts.

4 Included in the table above are approximately $28 of severance and related benefit costs associated with staffing reductions that have been identified to date related to the 2013 restructuring. This is not inclusive of severance and related benefit costs associated with the spin restructuring.

Purchase obligations set forth in the table above represent contractual obligations that generally have longer terms, and are non-routine in nature. The Company is also party to various service and supply contracts that generally extend one to three months. These arrangements are primarily individual, short-term purchase orders for

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routine goods and services at market prices, which are part of our normal operations and are reflected in historical operating cash flow trends. These contracts can generally be canceled at our option at any time. We do not believe such arrangements will adversely affect our liquidity position. In addition, the Company has various commitments related to service and supply contracts that contain penalty provisions for early termination. Because of the short period between order and shipment date (generally less than one month) for most of our orders, the dollar amount of current backlog is not material and is not considered to be a reliable indicator of future sales volume. Generally, sales to our top customers are made pursuant to purchase orders and we do not have supply agreements or guarantees of minimum purchases from them. As a result, these customers may cancel their purchase orders or reschedule or decrease their level of purchases from us at any time. As of March 31, 2015, we do not believe such purchase arrangements or termination penalties will have a significant effect on our results of operations, financial position or liquidity position in the future. As such, these arrangements have been excluded from the table above.

Subsequent to the quarter, on April 29, 2015, we entered into a 364-day Term Loan Credit Agreement to borrow up to $1 billion under a senior unsecured loan facility (the “Bridge Facility”). No loans are currently outstanding under the Bridge Facility. In connection with entering into the Bridge Facility, we issued an irrevocable notice of prepayment to the holders of our Private Placement notes in the outstanding principal amount of $820. Energizer intends to prepay these notes in May 2015, from the proceeds of an advance from the Bridge Facility. As a result of the prepayment, we expect to incur approximately $60 in make-whole payments to note holders. This amount is not included in the table above since it is subsequent to March 31, 2015.

Market Risk

Currency Rate Exposure

The Company has affiliates located in certain developing markets such as Argentina, which may be susceptible to greater volatility of inflation and currency exchange rates, as well as government pricing and import controls. While these affiliates are not considered material in relation to the consolidated Company as a whole, there could be negative impacts to operating results in certain markets, if inflationary pressures, exchange volatility and government controls negatively impact the Company's ability to operate effectively and profitably.

Derivatives Designated as Cash Flow Hedging Relationships

A significant share of the Company’s sales are tied to currencies other than the U.S. dollar, the Company’s reporting currency. As such, a weakening of currencies relative to the U.S. dollar can have a negative impact to reported earnings. Conversely, strengthening of currencies relative to the U.S. dollar can improve reported results. The primary currencies to which the Company is exposed include the Euro, the Japanese Yen, the British pound, the Canadian dollar and the Australian dollar.

The Company enters into a series of forward currency contracts to hedge the cash flow uncertainty of forecasted inventory purchases due to currency fluctuations. These transactions are accounted for as cash flow hedges. The Company had an unrealized pre-tax gain of $26.9 and $14.5 at March 31, 2015 and September 30, 2014, respectively, on these forward currency contracts accounted for as cash flow hedges included in Accumulated other comprehensive loss on the Consolidated Balance Sheets (Condensed). Assuming foreign exchange rates versus the U.S. dollar remain at March 31, 2015 levels over the next twelve months, approximately $26.6 of the pre-tax gain included in Accumulated other comprehensive loss at March 31, 2015, is expected to be included in earnings. Contract maturities for these hedges extend into fiscal year 2016. There were 80 open foreign currency contracts at March 31, 2015 with a total notional value of approximately $286.

Derivatives Not Designated as Cash Flow Hedging Relationships

The Company's foreign subsidiaries enter into internal and external transactions that create non-functional currency balance sheet positions at the foreign subsidiary level. These exposures are generally the result of intercompany purchases, intercompany loans and to a lesser extent, external purchases, and are revalued in the foreign subsidiary's local currency at the end of each period. Changes in the value of the non-functional currency balance sheet positions in relation to the foreign subsidiary's local currency results in an exchange gain or loss recorded in Other financing items, net on the Consolidated Statements of Earnings and Comprehensive Income (Condensed). The primary currency to which the Company's foreign subsidiaries are exposed is the U.S. dollar.

The Company enters into foreign currency derivative contracts which are not designated as cash flow hedges for accounting purposes to hedge balance sheet exposures. Any gains or losses on these contracts are expected to be offset by exchange gains or losses on the underlying exposures, thus they are not subject to significant market risk. The change in estimated fair value of the foreign currency contracts for the quarter and six months ended March 31, 2015 resulted in income of $0.3 and $5.4, respectively, and income of $1.9 and $10.7, respectively, for the quarter and six months ended March 31, 2014 and was recorded in Other financing items, net on the Consolidated Statements of Earnings and Comprehensive Income (Condensed). There were 13 open foreign currency derivative contracts which are not designated as cash flow hedges at March 31, 2015, with a total notional value of approximately $210.

Commodity Price Exposure

The Company uses raw materials that are subject to price volatility. At times, the Company has used, and may in the future use, hedging instruments to reduce exposure to variability in cash flows associated with future purchases of certain materials and commodities. At March 31, 2015, there were no open derivative or hedging instruments for future purchases of raw materials or commodities.

Interest Rate Exposure

The Company has interest rate risk with respect to interest expense on variable rate debt. At March 31, 2015, the Company had $513.2 of variable rate debt outstanding, which was primarily outstanding borrowings under the Company's receivable securitization program and its Revolving Credit Agreement.

Stock Price Exposure

The Company held a share option with a major financial institution, which matured in November 2014 and was subsequently not renewed, to mitigate the impact of changes in certain of the Company’s deferred compensation liabilities, which are tied to the Company’s common stock price. The fair market value of the share option was $5.6, which was included in other current assets at September 30, 2014 and settled in November 2014 for $6.1. The change in estimated fair value of the total share option for the six months ended March 31, 2015 resulted in income of $0.5, and expense of $2.2 and income of $5.2, respectively, for the quarter and six months ended March 31, 2014, and was recorded in SG&A. Period activity related to the share option is classified in the same category in the Consolidated Statements of Cash Flows (Condensed) as the period activity associated with the Company’s deferred compensation liability, which was cash flow from operations.

Item 4. Controls and Procedures

Energizer maintains a system of disclosure controls and procedures which are designed to ensure that information required to be disclosed by the Company in the reports filed or submitted under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and is accumulated and communicated to management, including the Company's certifying officers, as appropriate to allow timely decisions regarding required disclosure. Based on an evaluation performed, the Company's certifying officers have concluded that the disclosure controls and procedures were effective as of March 31, 2015, to provide reasonable assurance of the achievement of these objectives. Notwithstanding the foregoing, there can be no assurance that the Company's disclosure controls and procedures will detect or uncover all failures of persons within the Company and its consolidated subsidiaries to report material information otherwise required to be set forth in the Company's reports.

There was no change in the Company's internal control over financial reporting during the quarter ended March 31, 2015, that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II — OTHER INFORMATION

There is no information required to be reported under any items except those indicated below.

Item 1 — Legal Proceedings

The Company and its affiliates are subject to a number of legal proceedings in various jurisdictions arising out of its operations. Many of these legal matters are in preliminary stages and involve complex issues of law and fact, and may proceed for protracted periods of time. The amount of liability, if any, from these proceedings cannot be determined with certainty. We are a party to legal proceedings and claims that arise during the ordinary course of business. We review our legal proceedings and claims, regulatory reviews and inspections and other legal proceedings on an ongoing basis and follow appropriate accounting guidance when making accrual and disclosure decisions. We establish accruals for those contingencies where the incurrence of a loss is probable and can be reasonably estimated, and we disclose the amount accrued and the amount of a reasonably possible loss in excess of the amount accrued, if such disclosure is necessary for our financial statements to not be misleading. We do not record liabilities when the likelihood that the liability has been incurred is probable, but the amount cannot be reasonably estimated. Based upon present information, the Company believes that its liability, if any, arising from such pending legal proceedings, asserted legal claims and known potential legal claims which are likely to be asserted, is not reasonably likely to be material to the Company’s financial position, results of operations, or cash flows, taking into account established accruals for estimated liabilities.

Item 1A — Risk Factors

Our Annual Report on Form 10-K for the year ended September 30, 2014 contains a detailed discussion of risk factors that could materially adversely affect our business, our operating results, or our financial condition. The risk factor described below is in addition to those risk factors.

Our operations depend on the use of information technology systems that could be the target of cyber-attack.
Our systems and networks, as well as those of our retailer customers, suppliers, service providers, and banks, may become the target of cyber-attacks or information security breaches, which in turn could result in the unauthorized release and misuse of confidential or proprietary information about our Company, employees, customers or consumers, as well as disrupt our operations or damage our facilities or those of third parties. As a result, a cyber-attack could negatively impact our revenues and increase our operating and capital costs. It could also damage our reputation with retailer customers and consumers and diminish the strength and reputation of our brands, or require us to pay monetary penalties. We may also be required to incur additional costs to modify or enhance our systems in order to try to prevent or remediate any such attacks.

Item 2 — Unregistered Sales of Equity Securities and Use of Proceeds

The following table sets forth the purchases of the Company's securities by the Company and any affiliated purchasers within the meaning of Rule 10b-18(a)(3) (17 CFR 240.10b-18(a)(3)) during the second quarter of fiscal year 2015.

Period	Total Number of Shares Purchased(1)	Average Price Paid per share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs(2)	Maximum Number that May Yet Be Purchased Under the Plans or Programs
January 1 to 31, 2015	990	$127.81	—	5,019,739
February 1 to 28, 2015	269	$134.67	—	5,019,739
March 1 to 31, 2014	26	$133.41	—	5,019,739

(1) 1,285 shares purchased during the quarter relate to the surrender to the Company of shares of common stock to satisfy tax withholding obligations in connection with the vesting of restricted stock.

(2) On April 30, 2012, the Board of Directors approved a new share repurchase authorization for the repurchase of up to ten million shares. The Company did not repurchase any shares of the Company's common stock during the quarter ended March 31, 2015, other than a small number of shares related to the net settlement of certain stock

awards for tax withholding purposes. The Company has approximately five million shares remaining on the above noted Board authorization to repurchase its common stock in the future.

Item 6 — Exhibits

See the Exhibit Index hereto.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

ENERGIZER HOLDINGS, INC.

Registrant

By: /s/ Daniel J. Sescleifer

Daniel J. Sescleifer
Executive Vice President and
Chief Financial Officer
(Duly authorized signatory and
Principal financial officer)

Date: May 5, 2015

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EXHIBIT INDEX

The exhibits below are numbered in accordance with the Exhibit Table of Item 601 of Regulation S-K.

Exhibit No.	Description of Exhibit
3.1*	Amended and Restated Articles of Incorporation of Energizer Holdings, Inc. (incorporated by reference to Exhibit 3.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2014).
3.2	Amended Bylaws of Energizer Holdings, Inc. (incorporated by reference to Exhibit 3.2 to the Company's Current Report on Form 8-K filed January 30, 2014).
10.1	Separation Agreement and General Release by and between Daniel Sescleifer and Energizer Holdings, Inc. (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed February 27, 2015).
10.2	Term Loan Credit Agreement dated as of April 29, 2015 by and among Energizer Holdings, Inc., as borrower, Citibank, N.A., as administrative agent, and Bank of America, N.A., the Bank of Tokyo-Mitsubishi UFJ, Ltd., and JPMorgan Chase Bank, N.A., as Co-Syndication Agents (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed April 30, 2015).
31(i)*	Certification of periodic financial report by the Chief Executive Officer of Energizer Holdings, Inc. pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934, as amended pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31(ii)*	Certification of periodic financial report by the Chief Financial Officer of Energizer Holdings, Inc. pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934, as amended pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32(i)*	Certification of periodic financial report pursuant to 18 U.S.C. Section 1350, adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, by the Chief Executive Officer of Energizer Holdings, Inc.
32(ii)*	Certification of periodic financial report pursuant to 18 U.S.C. Section 1350, adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, by the Chief Financial Officer of Energizer Holdings, Inc.
101	Attached as Exhibit 101 to this Quarterly Report on Form 10-Q are the following documents formatted in eXtensible Business Reporting Language (XBRL): (i) the Unaudited Consolidated Statements of Earnings, (ii) the Unaudited Consolidated Balance Sheets, (iii) the Unaudited Consolidated Statements of Cash Flows, and (iv) Notes to Consolidated Financial Statements (Condensed). The financial information contained in the XBRL-related documents is “unaudited” and “unreviewed.”

* Filed herewith.